

# FINANCIAL INTELLIGENCE UNIT ANNUAL REPORT 2024



FINANCIAL INTELLIGENCE UNIT OF SRI LANKA

# ANNUAL REPORT 2024

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   |
| ATM                  | - | Automated Teller Machines  |
| BASL                 | - | Bar Association of Sri Lanka   |
| BIMSTEC              | - | Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation     |
| BOD                  | - | Board of Directors   |
| BSD                  | - | Bank Supervision Department  |
| CAs                  | - | Competent Authorities  |
| CBS                  | - | Centre for Banking Studies   |
| CBSL                 | - | Central Bank of Sri Lanka  |
| CDD                  | - | Customer Due Diligence   |
| CDD Rules for FIs    | - | Financial Institutions (Customer Due Diligence) Rule, No.01 of 2016                |
| CDD Rules for DNFBPs | - | Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018      |
| CDMs                 | - | Cash Deposit Machines  |
| CEO                  | - | Chief Executive Officer  |
| CFT                  | - | Countering the Financing of Terrorism  |
| CID                  | - | Criminal Investigation Department  |
| CIABOC               | - | Commission to Investigate Allegations of Bribery or Corruption                     |
| CIDA                 | - | Construction Industry Development Authority  |
| CFIR                 | - | Call for Information Requests  |
| CO                   | - | Compliance Officer   |
| CPF                  | - | Countering the Proliferation Financing   |
| CRMs                 | - | Cash Recycle Machines  |
| CSIFA                | - | Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005           |
| CTRs                 | - | Cash Transaction Reports   |
| CTID                 | - | Counter Terrorism and Investigation Division                                       |
| CTRs                 | - | Cash Transactions Reports  |
| DFE                  | - | Department of Foreign Exchange   |
| DIRD                 | - | Deposit Insurance and Resolution Department  |
| DNFBPs               | - | Designated Non-Finance Businesses and Professions                                  |
| DPMS                 | - | Dealers in Precious Metals and Dealers in Precious and Semi-Precious Stones Sector |
| DPRK                 | - | Democratic People's Republic of Korea  |
| DRC                  | - | Department of Registration of Companies  |
| DRP                  | - | Department of Registration of Persons  |
| DSNBFI               | - | Department of Supervision of Non-Bank Financial Institutions                       |
| EAG                  | - | Eurasian Group on Combating ML/TF  |
| ECOFEL               | - | Egmont Centre of FIU Excellence & Leadership                                       |
| EDD                  | - | Enhanced Due Diligence   |
| EFTs                 | - | Electronic Fund Transfers  |
| EFTCs                | - | Electronic Fund Transfer Cards   |
| ESW                  | - | Egmont Secure Web  |
| FATF                 | - | Financial Action Task Force  |
| FDMD                 | - | Financial Data Management Division   |
| FCRD                 | - | Financial Consumer Relations Department  |
| FEA Act              | - | Foreign Exchange Act, No. 12 of 2017   |
| FIs                  | - | Financial Institutions   |
| FIU                  | - | Financial Intelligence Unit  |
| FTRA                 | - | Financial Transactions Reporting Act, No. 6 of 2006                                |
| G&J                  | - | Gem and Jewelry  |
| IAs                  | - | Intelligence Agencies  |
| ICASL                | - | The Institute of Chartered Accountants of Sri Lanka                                |
| ICs                  | - | Insurance Companies  |
| ICOs                 | - | Initial Coin Offerings   |
| IFT                  | - | International Fund Transfer  |
| IMF                  | - | International Monetary Fund  |
| IMVTS                | - | Informal Money or Value Transfer Services  |
| IRCSL                | - | Insurance Regulatory Commission of Sri Lanka                                       |

|               |   |   |
|---------------|---|---|
| IRD           | - | Information Request Domestic  |
| IT            | - | Information Technology  |
| KYC           | - | Know Your Customer  |
| Lao PDR       | - | Lao People's Democratic Republic  |
| LBs           | - | Licensed Banks  |
| LC            | - | Largely Compliant   |
| LCBs          | - | Licensed Commercial Banks   |
| LEAs          | - | Law Enforcement Agencies  |
| LFCs          | - | Licensed Finance Companies  |
| LSBs          | - | Licensed Specialized Banks  |
| ME            | - | Mutual Evaluation   |
| MEC           | - | Mutual Evaluation Committee   |
| MER           | - | Mutual Evaluation Report  |
| ML            | - | Money Laundering  |
| MOD           | - | Ministry of Defence   |
| MOU           | - | Memorandum of Understanding   |
| MVTS          | - | Money or Value Transfer Service   |
| NCC           | - | National Coordinating Committee   |
| nCEN          | - | National Customs Enforcement Network  |
| NGJA          | - | National Gem and Jewellery Authority  |
| NGO           | - | Non-Governmental Organization   |
| NLP           | - | National Language Processing  |
| NPOs          | - | Not-for-Profit Organizations  |
| NRA 2021/2022 | - | National Risk Assessment 2021/22  |
| PAEs          | - | Persons, accounts, or entities  |
| PC            | - | Partially Compliant   |
| PDs           | - | Primary Dealers   |
| PEPs          | - | Politically Exposed Persons   |
| PF            | - | Proliferation Financing   |
| PMLA          | - | Prevention of Money Laundering Act, No. 5 of 2006   |
| PNB           | - | Police Narcotic Bureau  |
| PSD           | - | Payments and Settlements Department   |
| RAs           | - | Regulatory Authorities  |
| RAPs          | - | Rapid Action to Prevent Scams   |
| RBA           | - | Risk-Based Approach   |
| RDs           | - | Restricted Dealers (formerly Authorized Money Changers)                                   |
| RIs           | - | Reporting Institutions  |
| ROC           | - | Registrar of Companies  |
| RTI Act       | - | Right to Information Act, No. 12 of 2016  |
| RUSI          | - | Royal United Services Institute   |
| SAs           | - | Supervisory Authorities   |
| SARTTAC       | - | South Asia Regional Training and Technical Assistance Center                              |
| SBs           | - | Stock Brokers   |
| SDM           | - | STR Discussion Meeting  |
| SEACEN        | - | South-East Asian Central Banks Research and Training Centre                               |
| SEC           | - | Securities and Exchange Commission of Sri Lanka   |
| SQL           | - | Structures Query Language   |
| STRs          | - | Suspicious Transaction Reports  |
| TBML          | - | Trade Based Money Laundering  |
| TCSPs         | - | Trusts and Company Service Providers  |
| TF            | - | Terrorist Financing   |
| TFS           | - | Targeted Financial Sanctions  |
| TMS           | - | Transaction Monitoring Systems  |
| UAE           | - | United Arab Emirates  |
| UBOs          | - | Ultimate Beneficial Ownerships  |
| UNODC         | - | United Nations Office on Drugs and Crime  |
| UNSCRs        | - | United Nations Security Council Resolutions   |
| VAs           | - | Virtual Assets  |
| VASPs         | - | Virtual Asset Service Providers   |
| VCs           | - | Virtual Currencies  |
| VSSO          | - | Voluntary Social Service Organizations  |
| VSSO Act      | - | Voluntary Social Service Organisations (Registration and Supervision) Act, No. 31 of 1980 |
| XML           | - | Extensible Markup Language  |

# FIU ROAD MAP

- Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 (CSTFA) was enacted.

## 2005



## 2006

- Prevention of Money Laundering Act, No. 5 of 2006 (PMLA) was enacted.
- Financial Transactions Reporting Act, No. 6 of 2006 (FTRA) was enacted.
- FIU-Sri Lanka was established in terms of the provisions of the FTRA under the Ministry of Finance and Planning.
- Sri Lanka's 1<sup>st</sup> Mutual Evaluation was coordinated.
- Advisory Board on AML/CFT was established.
- First enforcement action on a Financial Institution (FI).

- FIU-Sri Lanka was recognised as an operationally independent institution within the Central Bank of Sri Lanka's administrative framework.

## 2007



## 2008

- 1<sup>st</sup> MOU with foreign counterpart was signed with FIU of Bank Negara Malaysia.

- Membership of the Egmont Group was obtained.

## 2009



## 2010

- 1<sup>st</sup> domestic MOU was signed with Sri Lanka Customs.

- Amendments to CSTFA and PMLA were introduced.

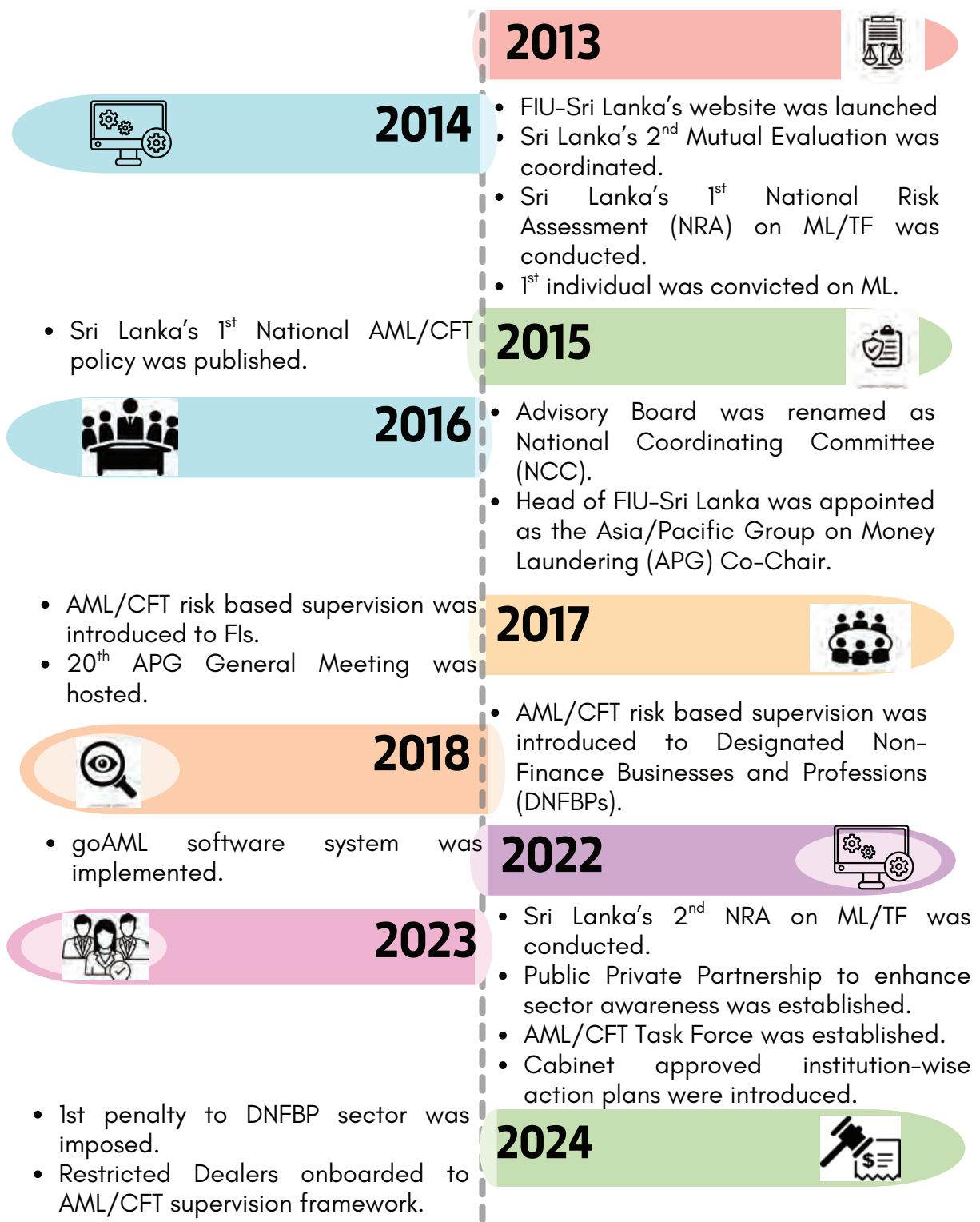
## 2011



## 2012

- 1<sup>st</sup> Annual Report of FIU-Sri Lanka was published.

- Amendments to CSTFA were introduced.





# 2024 AT A GLANCE

## Received

**18.0 Mn**  
EFTs

**6.0 Mn**  
CTRs

**0.6 Mn**  
IFTs

## Accommodated

**96**  
Public Complaints

**711**  
LEA Requests

**2513**  
STRs

## Analysed

**875 STRs**



## Signed MOUs

**04 Local**  
**01 Foreign**



## International Cooperation



**37**

Request  
Sent

**22**

Request  
Received

**18**

Responded

## Issued



Circulars

Press  
Notices

Red Flag  
Indicators

## Conducted Highest Number of Supervision in 2024

**43**

Risk-based on-site  
Examinations on FIs

**134**

Off-site  
Risk Assessments

**07**

Follow-up  
Examinations

**12**

Thematic reviews

**26**

Risk-based on-site  
Examinations on  
DNFBPs

**09**

Spot  
Examinations

**32**

Joint Risk-Based  
Supervisions

Update notifications sent on the UN Security Council Sanctions lists pursuant to UNSCR 1373, 1267, 1988, 1989, 2253 and subsequent resolutions on Al- Qaeda, ISIL and Taliban and 1718 on DPRK.

## Hosted

**63**

Awareness  
Programmes



## Served

**27**

Warning letters

**14**

Show cause letters



## Imposed

**07**

Penalties amounting to  
Rs. 8.75 Mn



# MESSAGE FROM THE CHAIRMAN OF THE NATIONAL COORDINATING COMMITTEE



I share with great pleasure the Annual Report of the Financial Intelligence Unit of Sri Lanka (FIU-Sri Lanka) for the year 2024, highlighting the progress made in strengthening the AML/CFT regime in Sri Lanka. Despite the constraints stemming from economic, political and financial challenges, FIU-Sri Lanka has made significant strides in ensuring that the AML/CFT framework remains effective and up-to-date.

FIU-Sri Lanka, in collaboration with key stakeholders, continued to discharge its responsibilities in a manner to ensure Sri Lanka's integration with international standards and best practices. The National AML/CFT policy (2023-2028), which was designed based on the outcomes of the recently concluded National Risk Assessment, has provided strategic direction enabling FIU-Sri Lanka to allocate resources effectively for the areas with higher ML/TF threats and vulnerabilities. Accordingly, competent authorities continued to implement Stakeholder-wise Action Plans to address priority areas identified in the National AML/CFT Policy. The AML/CFT Task Force, appointed by the Cabinet of Ministers, has played a crucial role in maintaining the progress of implementation of these Action Plans. I extend my appreciation to all these stakeholders for their hard work and commitment in eliminating ML/TF threats.

Another key priority during the year was preparation for Sri Lanka's 3<sup>rd</sup> Mutual Evaluation by the Asia Pacific Group on Money Laundering, which has now been rescheduled to March 2026. I would like to emphasize our commitment to improve effectiveness and technical compliance level of the national AML/CFT framework. Not only aimed at the upcoming Mutual Evaluation but also holistically for the betterment of the country and its financial system integrity.

Amidst all these priorities, I have observed that FIU-Sri Lanka has ensured significant improvements in intelligence management, operational and strategic analysis, intelligence sharing, AML/CFT supervision and enforcement actions. Efforts to amend key AML/CFT legislations continued with expert consultation. Furthermore, with a broader view of enhancing domestic and international cooperation and information exchange, 5 Memorandums of Understanding (MOUs) were signed during 2024: 4 with domestic stakeholders and 1 with an international counterparty. Moreover, a substantial amount of financial and human resources was also directed towards raising awareness on AML/CFT regulations, financial crime risks, and other AML/CFT related concerns.

It is appreciable that, while the National Coordinating Committee has remained committed to strengthening national coordination, the AML/CFT Task Force has played a pivotal role in preparing stakeholders for the upcoming mutual Evaluation. I truly commend the commitment and collaboration demonstrated by regulatory bodies, law enforcement agencies, and reporting institutions in achieving our shared objectives and expect their continued and unwavering dedication for unveiling better results at the upcoming Mutual Evaluation. Nevertheless, I emphasise the importance of being vigilant and proactive in coordinated efforts of all these parties, in conquering the emerging threats and ever evolving criminal methodologies aimed at circumventing AML/CFT measures.

I highlight that, to create a robust AML/CFT culture, FIU-Sri Lanka's initiatives should be formed upon three fundamental pillars: Compliance, Regulatory Oversight and Enforcement, and Awareness and Training. We will be invincible if we possess sustained commitment and strategic initiatives. I am confident that with the collaboration of key stakeholders, FIU-Sri Lanka will continue to ensure a robust AML/CFT regime safeguarding the integrity of the financial system of Sri Lanka while assuring a confident showcasing of our effectiveness in the forthcoming Mutual Evaluation.

**Dr. P Nandalal Weerasinghe**

**Governor of the Central Bank of Sri Lanka**

**Chairman of the AML/CFT National Coordinating Committee**



## MESSAGE FROM THE DIRECTOR OF THE FINANCIAL INTELLIGENCE UNIT – SRI LANKA

The year 2024 was a significant year for the Financial Intelligence Unit of Sri Lanka (FIU – Sri Lanka) as we continued to strengthen the country's Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework. In our efforts, more focus was given to the preparatory work for the 3<sup>rd</sup> Mutual Evaluation (ME) of Sri Lanka on AML/CFT, now scheduled to commence in March 2026. As the lead agency for the ME, FIU - Sri Lanka closely collaborated with all the relevant stakeholders to ensure remaining gaps in the AML/CFT system are addressed in a timely manner.

His Excellency the President and the Cabinet of Ministers were apprised of the upcoming ME, in December 2024, which resulted in securing the highest political commitment and reconstitution of the AML/CFT Task Force, which was formed in 2023, to include high level ministerial representation. The reconstituted AML/CFT Task Force actively engaged with stakeholders, holding numerous meetings to review the progress of Cabinet approved stakeholder-wise action plans aimed at enhancing the overall AML/CFT framework.

During 2024, FIU – Sri Lanka continued to strengthen in operational analysis and strategic analysis. FIU – Sri Lanka under its core function of producing actionable financial intelligence, disseminated 335 Suspicious Transaction Reports (STRs) to Law Enforcement Agencies, while referring 60 STRs to relevant regulatory authorities for further action. In 2024, 12 STR Review Committee meetings were held marking the highest number of STR Review Committee meetings held in a year to decide the course of action for selected high level complex STRs, with the participation of senior officials from the Attorney General's Department, the Deputy Inspector General of Criminal Investigation Department (CID) and FIU - Sri Lanka officers. The conviction of a foreign national for a high value ML offence by the High Court of Colombo in May 2024 has been a significant highlight of the year, as the investigation which led to the conviction was based on an STR referred to the CID by FIU – Sri Lanka.

Another key highlight in 2024 was the successful completion of system migration from the LankaFIN system to the goAML system, a state-of-the-art platform developed by the United Nations Office on Drugs and Crime (UNODC) for mandatory reporting by Reporting Institutions (RIs) to FIU – Sri Lanka. This transition has significantly enhanced the efficiency and security of reporting processes, with over 120 RIs now submitting STRs and Threshold Transaction Reports via goAML.



On the domestic front, FIU – Sri Lanka is actively facilitating the finalisation of proposed amendments to the three main legislations that form the foundation of the AML/CFT legal framework. Meanwhile, the highest number of supervisions on RIs conducted within a year was recorded in 2024, for both Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) sectors, and the supervisory scope was expanded to include Restricted Dealers. In 2024, over 50 awareness sessions were conducted for RIs and other stakeholders to enhance their compliance with AML/CFT obligations. FIU – Sri Lanka issued Circulars, Guidelines, and red flag indicators, while taking regulatory actions for non-compliances and imposing penalties, where necessary. The first ever penalty on a DNFBP for regulatory non-compliance, was imposed in 2024.

Beyond domestic efforts, FIU-Sri Lanka actively participated in international engagements, including the 30<sup>th</sup> Egmont Plenary in France and the APG Plenary in the UAE and facilitated information requests from foreign counterparts. International and domestic partnerships were fortified through the signing of 5 Memoranda of Understanding (MOUs), with FIU – Bahrain and 4 domestic stakeholders, namely the Commission to Investigate Allegations of Bribery or Corruption, the Registrar General's Department, the Excise Department of Sri Lanka, and the National Secretariat for Non-Governmental Organizations.

Capacity building remained a key priority throughout the year, with FIU – Sri Lanka officers attending both local and international training programmes on various AML/CFT topics. Notably, an FIU – Sri Lanka officer contributed as an assessor for the ME of Timor-Leste, and 2 officers participated as reviewers of MEs of the Republic of Marshall Islands and Republic of Nauru. The FIU – Sri Lanka officers contributed as resource persons in several awareness sessions conducted by stakeholders, further enhancing knowledge sharing and expertise within the AML/CFT domain.

Moving forward, FIU – Sri Lanka remains steadfast in its commitment to strengthening Sri Lanka's AML/CFT framework through continuous engagement with stakeholders, regulatory enhancements, and international cooperation. The upcoming ME in 2026 will be a defining exercise for the country, and FIU – Sri Lanka is committed to ensure that Sri Lanka's financial system remains resilient, transparent, and compliant with global standards, while safeguarding integrity.

I extend my sincere gratitude to the Governor, Governing Board, Senior Management of the Central Bank of Sri Lanka, members of the AML/CFT Task Force, and all other stakeholders, both domestic and international, for their continued unwavering support and collaboration. It is only through our collective efforts that we can enhance Sri Lanka's AML/CFT regime and contribute to a robust and more secure financial system.

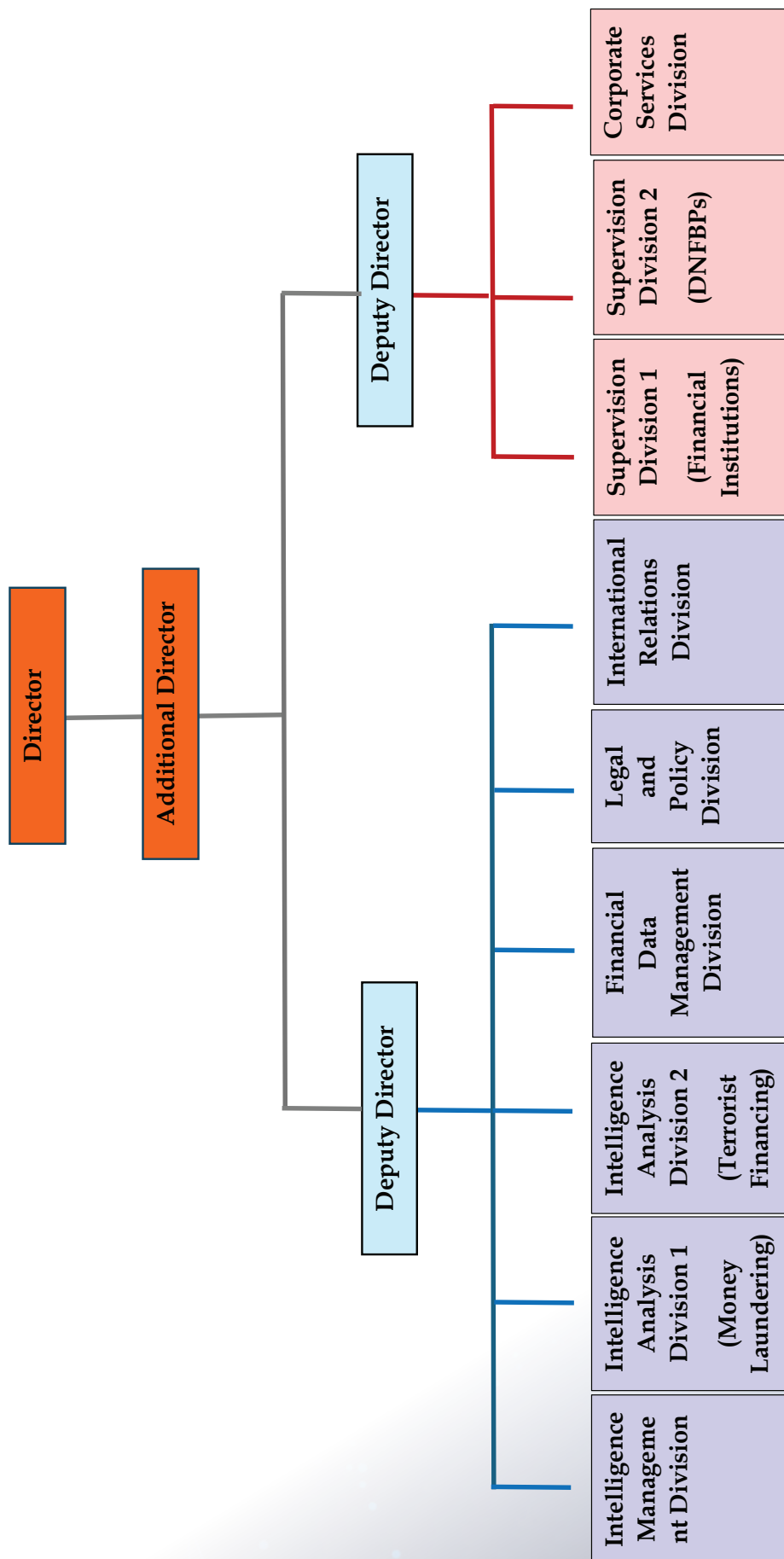
**Dr. Subhani Keerthiratne**

**Director**

**Financial Intelligence Unit - Sri Lanka**

## FUNCTIONAL ORGANIZATIONAL CHART OF THE FIU-SRI LANKA

Functional Organisational Chart (as at 31.12.2024)



## VISION, MISSION, AND STRATEGIC GOALS

### VISION

To be the trusted focal agency committed to prevent Money Laundering and counter Financing of Terrorism ensuring financial integrity, safety and security

### MISSION

To provide actionable financial intelligence and lead national efforts by effectively partnering with domestic and global stakeholders in combating Money Laundering and Terrorism Financing

### STRATEGIC GOALS

Facilitate strengthening the AML/CFT regime in Sri Lanka and upgrading AML/CFT compliance status of Sri Lanka to be in par with the internationally accepted standards and FATF Recommendations

Facilitate the prevention, detection, investigation and prosecution of the offences of ML/TF and implement an effective intelligence management framework

Strengthen the AML/CFT supervisory framework of FIs and DNFBPs

Ensure knowledge sharing and smooth operations of the FIU

Enhance AML/CFT Awareness and Communication



## THE STAFF OF THE FIU - SRI LANKA





# OUR STAKEHOLDERS

## REPORTING INSTITUTIONS

Licensed Commercial Banks Licensed  
Specialised Banks Licensed Finance  
Companies Specialised Leasing  
Companies Insurance Companies  
Stock Brokering Firms  
Colombo Stock Exchange  
Unit Trust Managing Companies  
Restricted Dealers  
Authorised Primary Dealers  
Authorised Money Brokers  
Money or Value Transfer Service Providers  
Casinos  
Real Estate Agents  
Dealers in Precious Metals, Dealers in Precious & Semi-Precious Stones  
Lawyers, Notaries, Other Independent Legal Professionals  
Accountants  
Trusts and Company Service Providers

## LAW ENFORCEMENT AGENCIES

Sri Lanka Police  
Criminal Investigation Department of Sri Lanka Police  
Illegal Assets Investigation Division  
Financial Crime Investigation Department of Sri Lanka Police  
Counter Terrorism Investigation Division of Sri Lanka Police  
Sri Lanka Police Narcotic Bureau  
Other Police Units  
Commission to Investigate Allegations of Bribery or Corruption  
Sri Lanka Customs Department  
Department of Excise

## SUPERVISORY AUTHORITIES

Bank Supervision Department of Central Bank of Sri Lanka  
Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka  
Foreign Exchange Department of Central Bank of Sri Lanka  
Payment and Settlement Department of Central Bank of Sri Lanka  
Securities and Exchange Commission of Sri Lanka  
Insurance Regulatory Commission of Sri Lanka  
National Gem and Jewellery Authority

## OTHERS

Ministry of Finance  
Ministry of Justice  
Ministry of Foreign Affairs  
Ministry of Defence  
Attorney General's Department  
Department of Registration of Persons  
Legal Draftman's Department  
Registrar General's Department  
Inland Revenue Department  
Department of Immigration and Emigration  
Department of Registrar of Companies  
Department of Motor Traffic  
Institute of Chartered Accountants of Sri Lanka  
Bar Association of Sri Lanka  
Construction Industry Development Authority  
Institute of Certified Management Accountants of Sri Lanka  
National Secretariat of Non-Governmental Organizations  
Department of Import and Export Control  
Board of Investment of Sri Lanka  
Accounting and Auditing Standard Board  
National Dangerous Drug Control Board

## 1.1 Introduction

Management of Financial Intelligence is the core function of the Financial Intelligence Unit of Sri Lanka (FIU – Sri Lanka). This includes collection, analysis and dissemination of financial intelligence relating to Money Laundering/Terrorist Financing (ML/TF) or any associated predicate offences.

FIU – Sri Lanka undertakes following activities under the intelligence management process.

**Table 1.1**  
**Activities Relevant to Management of Intelligence**

| Key Activity   | Sub Activities  |
|--|---|
| Receiving Suspicion Transaction Reports (STRs)/ information/ data        | <ul style="list-style-type: none"> <li>Receiving Suspicious Transaction Reports (STRs) from Reporting Institutions (RIs) on possible ML/TF, other criminal activities, and suspicions.</li> <li>Receiving information provided by the general public relating to possible suspicions of ML/TF.</li> <li>Receiving information/intelligence/STRs from Law Enforcement Agencies (LEAs), Intelligence Agencies (IAs) and Regulatory and Supervisory Authorities under the requirement of collecting financial information for their ML/TF related investigations, inquiries, or analyses.</li> <li>Facilitating information requests by foreign counterparts through Egmont Secure Web (ESW).</li> </ul> |
| Analysis of STRs   | <ul style="list-style-type: none"> <li>Conducting operational analysis.</li> <li>Collecting necessary information from RIs/domestic databases/counterpart FIUs.</li> </ul>  |
| Referring/dissemination of STRs to LEAs and Regulatory Authorities (RAs) | <ul style="list-style-type: none"> <li>Dissemination of analysis results to relevant LEAs.</li> <li>Dissemination of analysis results to RAs.</li> <li>Voluntary dissemination to foreign counterparts.</li> </ul>  |
| Advance analysis   | <ul style="list-style-type: none"> <li>Certain STRs will be deeply analysed regarding ML/TF suspicion and referred to LEAs.</li> </ul>  |

- 
- |                              |   |
|------------------------------|---|
| Other operational activities | <ul style="list-style-type: none"><li>▪ Facilitate LEA investigations through<ul style="list-style-type: none"><li>- provision of information upon request;</li><li>- coordination with RIs.</li></ul></li><li>▪ Issue typologies/red flags/feedback on STRs to RIs.</li><li>▪ Enhance awareness on STR identification and reporting.</li><li>▪ Coordinate with foreign counterparts.</li><li>▪ Provide observations/concerns in fit and proper assessment of directors and key management personnel of Financial Institutions (FIs).</li></ul> |
|------------------------------|---|
- 

## 1.2 Receiving Suspicious Transaction Reports, Data, and Information

FIU – Sri Lanka receives STRs from RIs under Section 7 of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA) and the general public under Section 5 of the Prevention of Money Laundering Act, No. 5 of 2006 (PMLA) relating to ML/TF suspicion and related criminal offences. In addition, it receives information requests from LEAs, IAs and RAs under the requirement of collecting financial information for their ML/TF related investigations, inquiries or analyses.

Once STRs are accepted through the goAML system, they are automatically prioritised based on selected keywords and suspicious indicators identified by RIs. Higher priority is assigned to STRs containing keywords and indicators related to TF and major ML threats identified in the National Risk Assessment 2021/2022 (NRA - 2021/22), such as drug trafficking, bribery, corruption, Trade Based Money Laundering (TBML), etc. Additionally, FIU – Sri Lanka manually prioritises STRs based on the circumstances surrounding them, where necessary.

The analysed STRs are presented to the STR Discussion Meeting (SDM). Based on the decision arrived at the SDM, after further analysis, the STRs are submitted to the STR Review Committee, chaired by the Director of FIU – Sri Lanka, which includes senior legal consultants from the Attorney General’s Department and Deputy Inspector General of Criminal Investigation Department. Following the recommendations of the SDM and/or the STR Review Committee, the STRs are then referred to the relevant LEAs, Regulatory and/or Supervisory Authorities. Figure 1.1 shows the intelligence management process of FIU – Sri Lanka.

**Figure 1.1**  
**Intelligence Management Process of FIU – Sri Lanka**

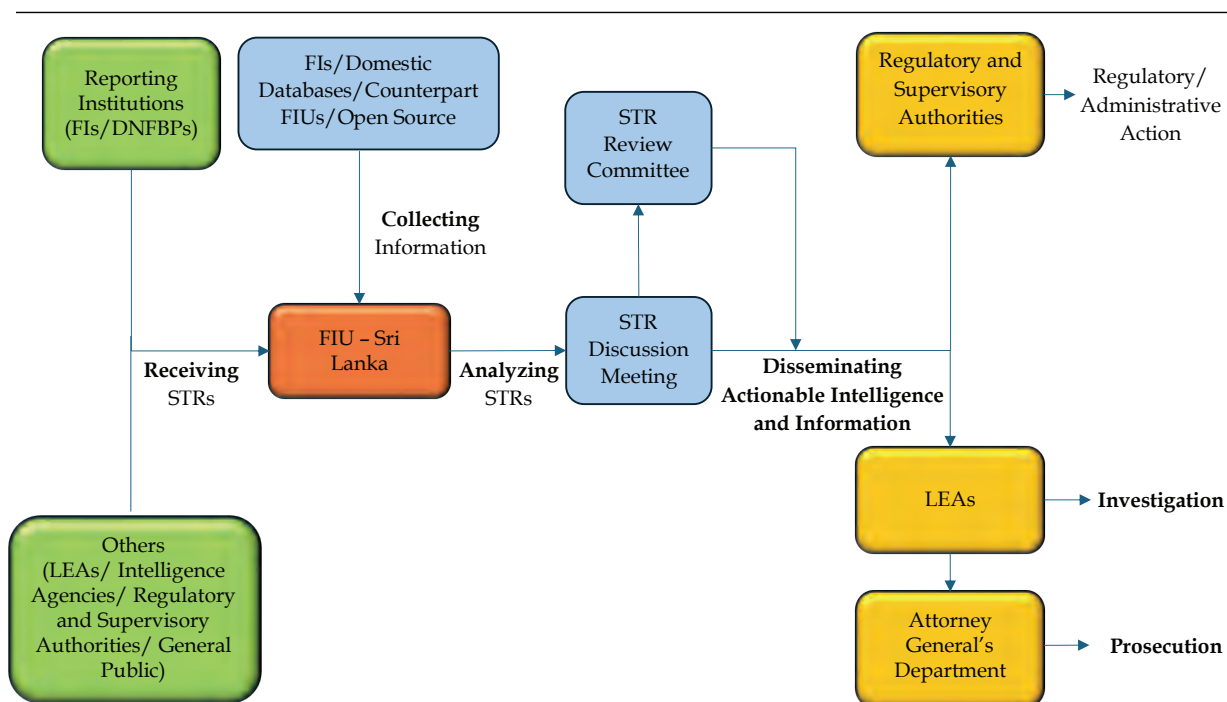


Table 1.2 shows the number of STRs and public complaints received by FIU – Sri Lanka for the last 5 years.

**Table 1.2**  
**STRs and Public Complaints received by FIU - Sri Lanka**

| Category                | 2020  | 2021  | 2022  | 2023  | 2024  |
|-------------------------|-------|-------|-------|-------|-------|
| STRs received from RIs* | 1,963 | 3,713 | 1,444 | 1,370 | 2,513 |
| Public Complaints       | 93    | 112   | 37    | 108   | 96    |
| Total                   | 2,056 | 3,825 | 1,481 | 1,478 | 2,609 |

*Source: Financial Intelligence Unit-Sri Lanka*

\*RIs include LCBs, LSBs, LFCs, SBs, ICs, MVTs Providers, RDs, PDs and DNFBPs.

There was an 83.4% increase in STRs reported by RIs compared to 2023, largely due to the increased threat of pyramid schemes and various types of scams. Conversely, public complaints received by FIU – Sri Lanka decreased by 11.1%.

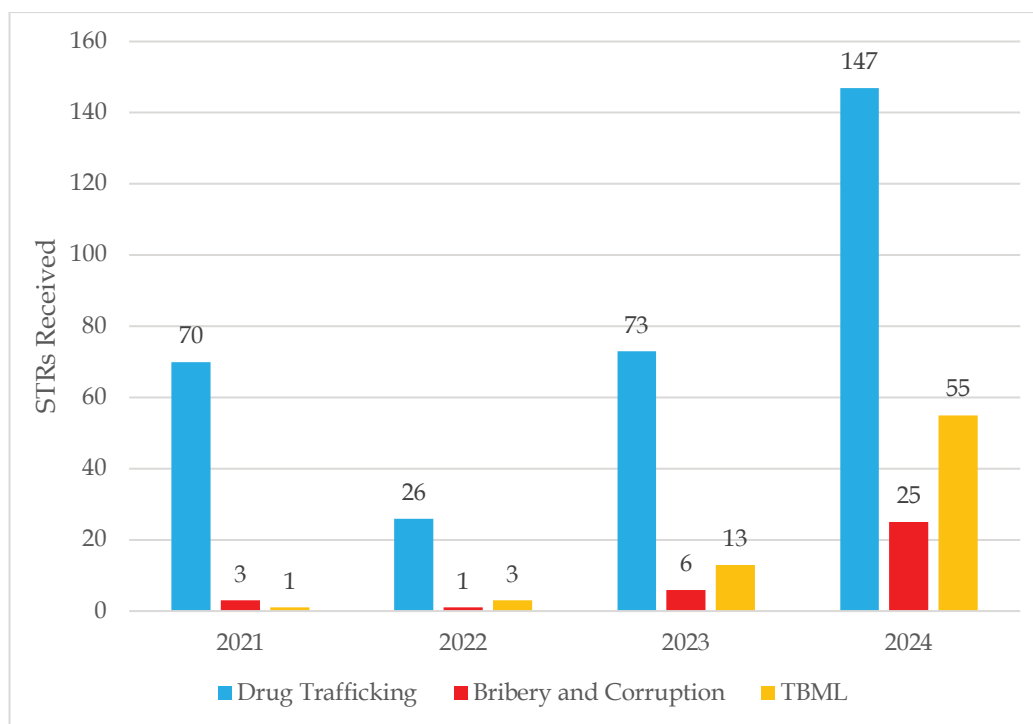
### **1.2.1 STRs Received under the Major Money Laundering Threats identified in NRA -2021/22**

As per the NRA 2021/22, drug trafficking, bribery and corruption and customs related offences including Trade Based Money Laundering (TBML) are the major ML threats in Sri Lanka. Figure 1.2 depicts the number of STRs received based on 3 major ML threats identified in NRA 2021/22.



Figure 1.2

STRs received based on 3 major ML threats identified in NRA 2021/22.



Suspicion related to drug trafficking remains the most reported suspicious activity out of the 3 threat categories, with the number of STRs rising from 73 in 2023 to 147 in 2024. Suspicion related to Bribery and Corruption shows an increase, with the number of STRs rising from 6 in 2023 to 25 in 2024. Furthermore, STRs received under TBML category has surged from 13 in 2023 to 55 in 2024.

### 1.2.2 STRs Received during 2020 – 2024

Reporting Institutions and the general public report STRs under suspicions of ML/TF. Table 1.3 below depicts the composition of STRs, and public complaints based on suspicion.

Table 1.3  
Composition of STRs and Public Complaints 2020-2024

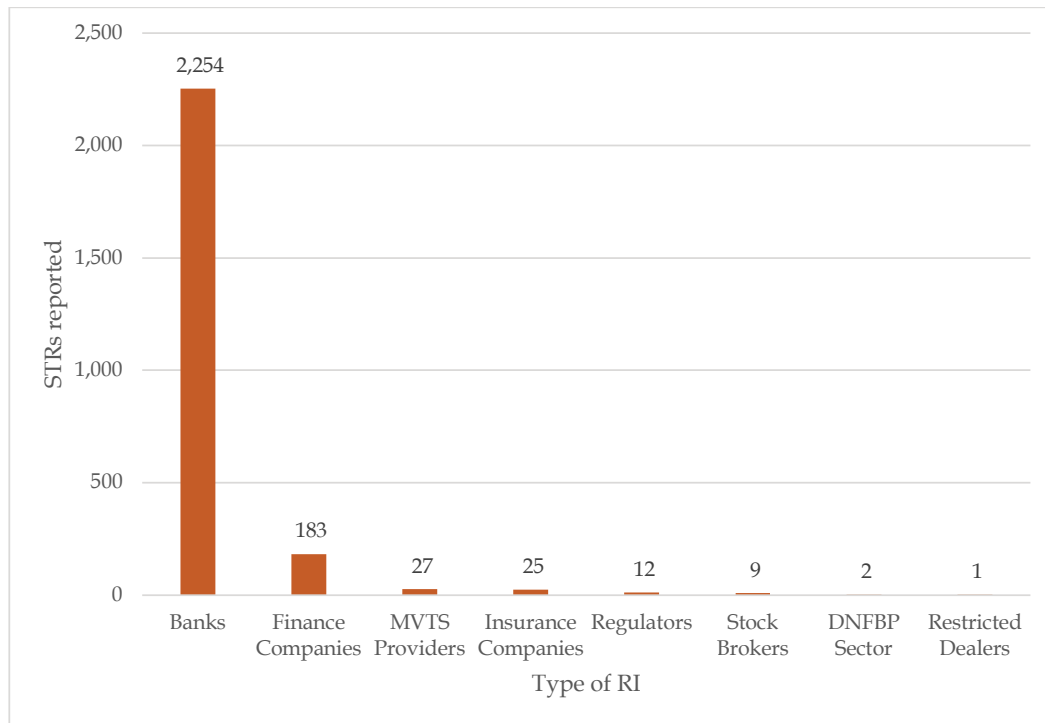
| Suspicion | 2020  | 2021  | 2022  | 2023  | 2024  |
|-----------|-------|-------|-------|-------|-------|
| on ML     | 3,026 | 3,708 | 1,384 | 1,414 | 2,497 |
| on TF     | 591   | 117   | 97    | 64    | 112   |
| Total     | 3,617 | 3,825 | 1,481 | 1,478 | 2,609 |

Source: Financial Intelligence Unit-Sri Lanka

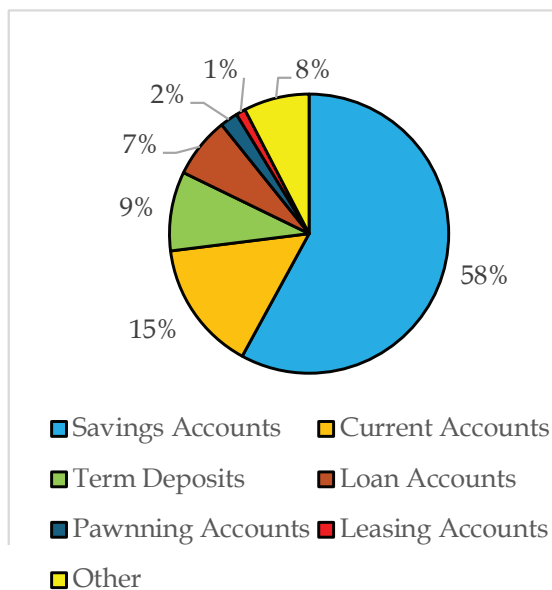
### 1.2.3 Categorization of STRs Received

Figures 1.3, 1.4 and 1.5 depict the STRs reported in 2024.

**Figure 1.3**  
**STRs Submitted by the Type of Reporting Institutions**



**Figure 1.4**  
**STRs Submitted by Product Type**



**Figure 1.5**  
**STRs Submitted by Customer Type**

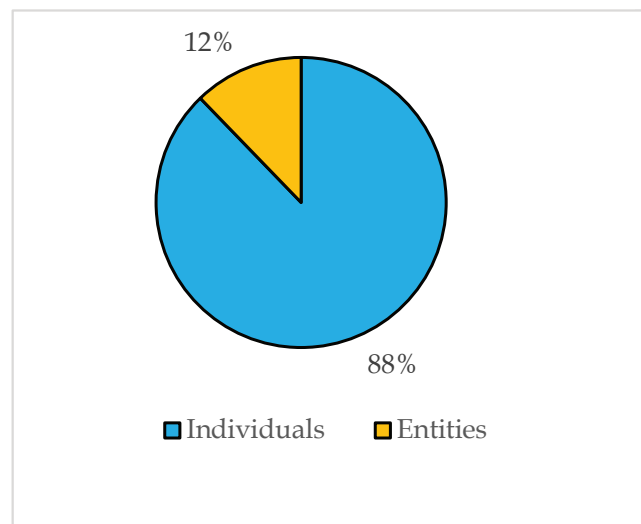
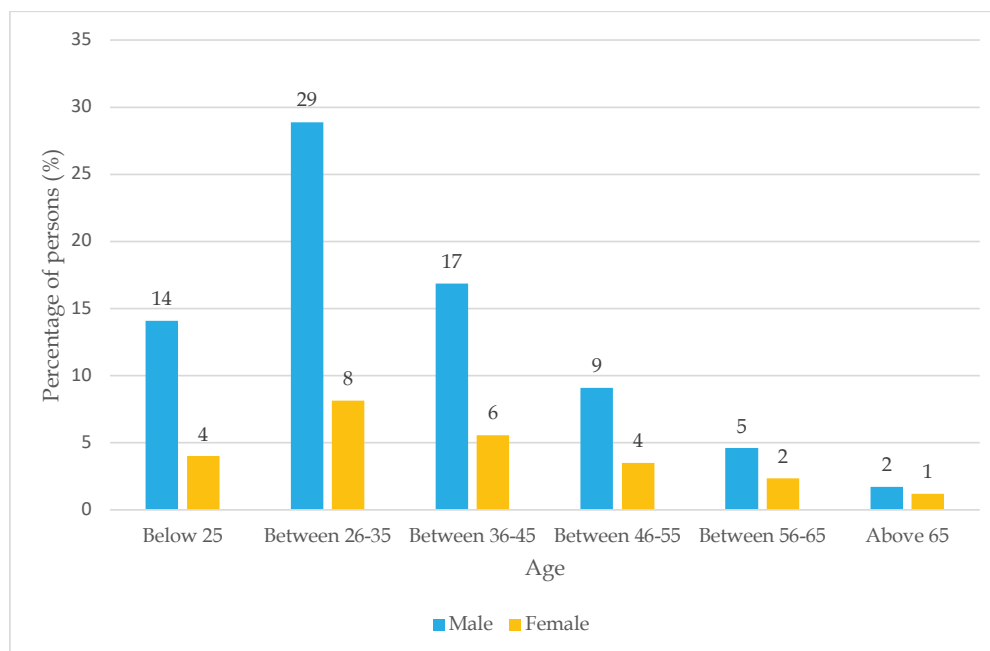


Figure 1.6 analysis consists of STRs reported on individuals in 2024.

**Figure 1.6**  
**Age and Gender Analysis on the Subjects of STRs**



### 1.3 Referring and Dissemination of STRs to Law Enforcement Agencies and Regulatory Authorities

Once an STR is reported to FIU – Sri Lanka, it undergoes a prioritisation process before being assigned to an analyst for the preliminary analysis. This analysis aims to identify trends and incidents related to ML/TF using various information sources, including Cash Transaction Reports (CTRs), Electronic Fund Transfers (EFTs), and previously reported STRs in goAML. Furthermore, information collected from databases such as Department of Registration of Persons, Registrar of Companies, Department of Motor Traffic, Sri Lanka Customs, and the Department of Immigration and Emigration as well as from commercially maintained databases is used for analysis. Additional information is also gathered from RIs, counterpart FIUs, and open source platforms to support the analysis.

The results of the preliminary analysis are presented to the SDM. Based on the outcome of the discussion focused on preliminary analysis, several actions are taken, such as, conducting advanced analysis, submitting to the STR Review Committee, referring the matter to relevant LEA pursuant to the outcome of the SDM or STR Review Committee for investigations and/ or to RAs for relevant regulatory/ supervisory actions. Where relevant, certain STRs are kept under surveillance until the development of further suspicion.

During 2024, FIU – Sri Lanka convened the historically highest number of 12 STR Review Committee meetings which discussed critical STRs. This is in addition to the 101 SDMs which discussed the preliminary analysis of STRs. The said meetings ensure that only the most relevant STRs are disseminated for further investigation, allowing LEAs and RAs to focus on cases that truly warrant attention.

Table 1.4 depicts the statistics on referring/disseminating of STRs during the year 2024.

**Table 1.4**  
**Referring/ Disseminating of STRs (2020-2024)**

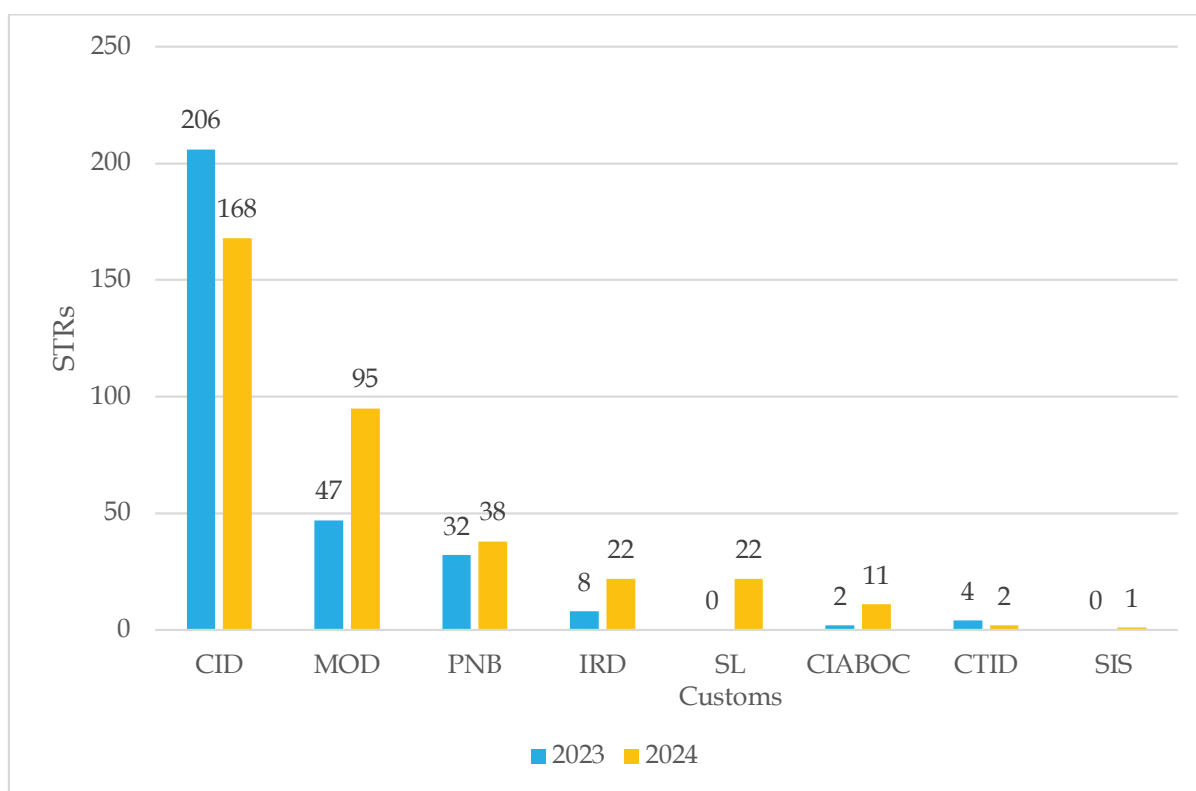
|                          | 2020  | 2021  | 2022 | 2023 | 2024 |
|--------------------------|-------|-------|------|------|------|
| Law Enforcement Agencies | 2,800 | 1,081 | 473  | 295  | 335* |
| Regulatory Authorities   | 80    | 92    | 76   | 81   | 60*  |

*Source: Financial Intelligence Unit-Sri Lanka*

*\*This number includes all the STRs referred to LEAs and RAs in 2024.*

Figure 1.7 depicts a comparison between the number of STRs referred to different sections of Criminal Investigation Department (CID) of Sri Lanka Police and other LEAs during 2023 and 2024.

**Figure 1.7**  
**Comparison of STRs Referred to Law Enforcement Agencies (2023-2024)**

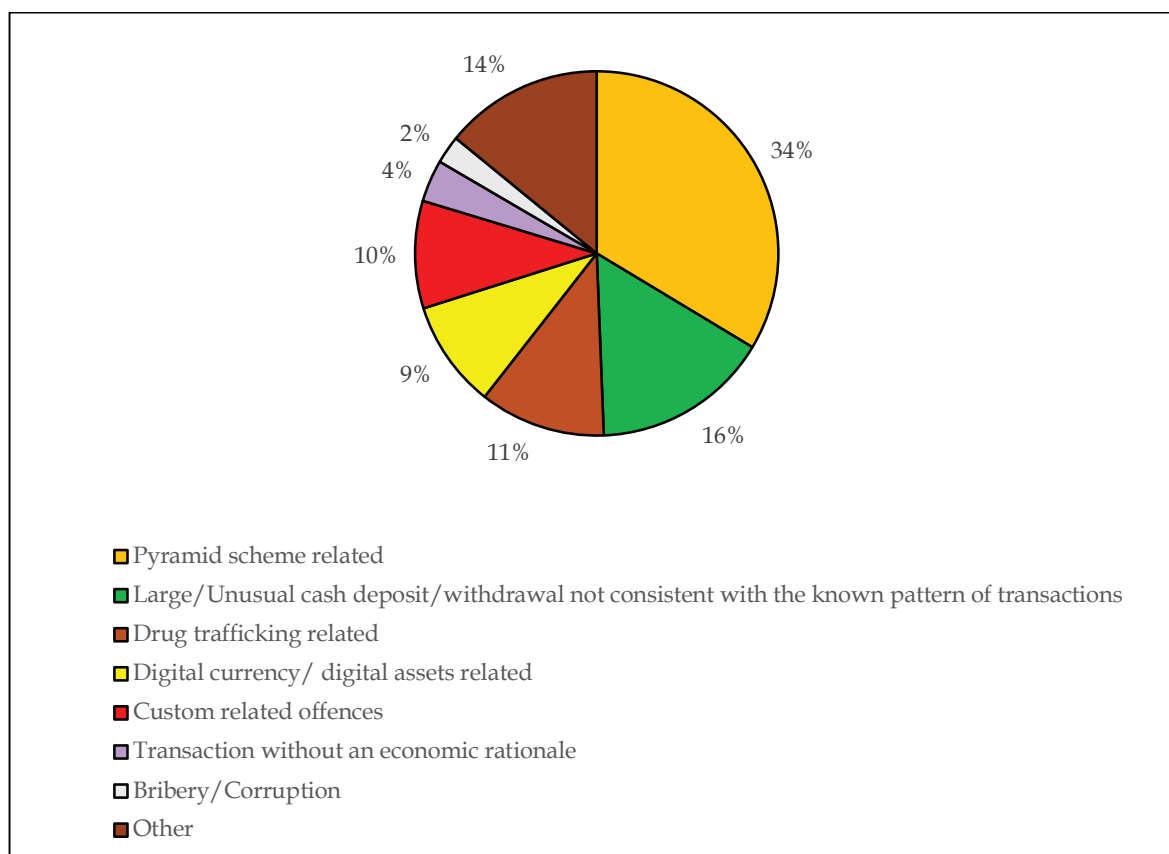


The decline in STR referrals to CID is due to decline in number of STRs received by RIs linked to pyramid schemes in 2024 compared to 2023. Further, the increase in STR referrals to the Commission to Investigate Allegations of Bribery or Corruption (CIABOC), Sri Lanka Customs and Police Narcotic Bureau (PNB) commensurate with the increased number of STRs reported to FIU – Sri Lanka in the categories of offences of Drug Trafficking, Bribery and Corruption and Customs related violations, which were identified as major ML threats in the NRA 2021/22.

Figure 1.8 illustrates the breakdown of STRs referred to LEAs/ RAs during 2024.

**Figure 1.8**

**STRs Referred to Law Enforcement Agencies or Regulatory Authorities**

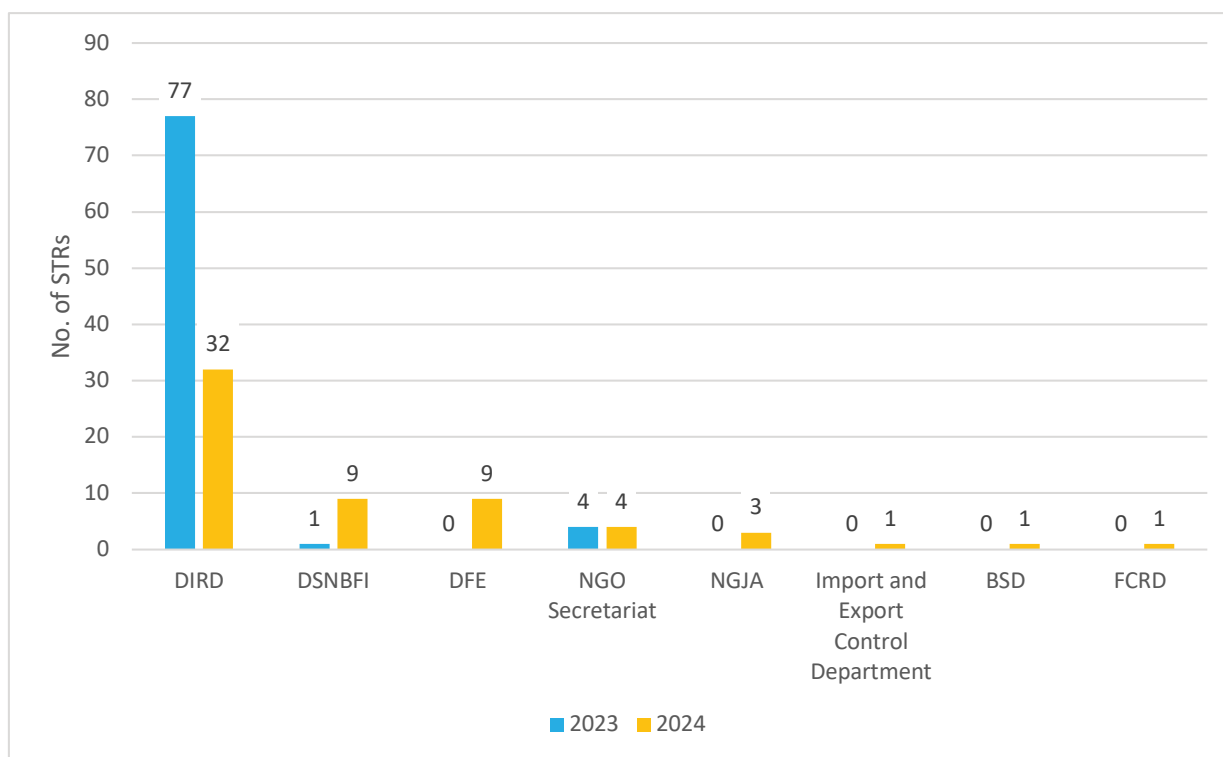


Offences related to Pyramid schemes and the offences identified as highest threats for ML in the NRA 2021/22 account for a significant portion of the STRs referred to LEAs/ RAs. It should be noted that the above categories have been arrived at excluding the STRs related to the United Nations Security Council Resolutions (UNSCR) sanction screening.



Figure 1.9 shows dissemination of information of STRs for further investigations to RAs in 2023 and 2024.

**Figure 1.9**  
**Disseminations to Regulatory and Supervisory Authorities - 2024**



Most STRs referred to RAs include those associated with pyramid schemes, TBML, and concern the non-registration with the National Secretariat for Non-Governmental Organisation (NGO Secretariat).

#### 1.4 Advance Analysis of STRs

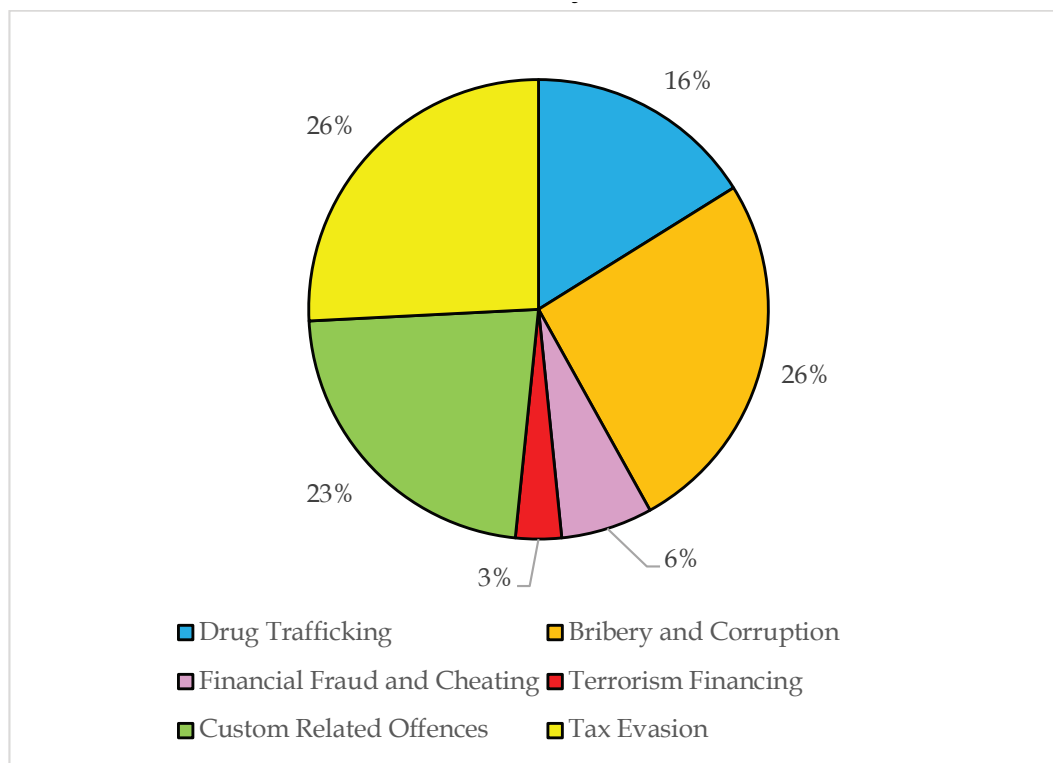
FIU – Sri Lanka carries out advanced analysis of STRs to examine complex transactions in depth using available and obtainable information to identify specific targets including criminal networks, and to determine links between those targets, predicate offences, and possible laundering of proceeds of crime. After completing a comprehensive analysis, the findings are presented to the STR Review Committee obtain expert guidance on the further actions to be taken regarding each case.

During 2024, 46 STRs were selected during the SDM for advanced analysis. Out of them 34 STRs were disseminated to LEAs and RAs for further actions.

Figure 1.10 depicts the offence-wise distribution of STRs referred to LEAs after advanced analysis.

**Figure 1.10**

**Offence-wise Break-up of STRs Referred to Law Enforcement Agencies after Advance Analysis - 2024**



## 1.5 Other Operational Activities

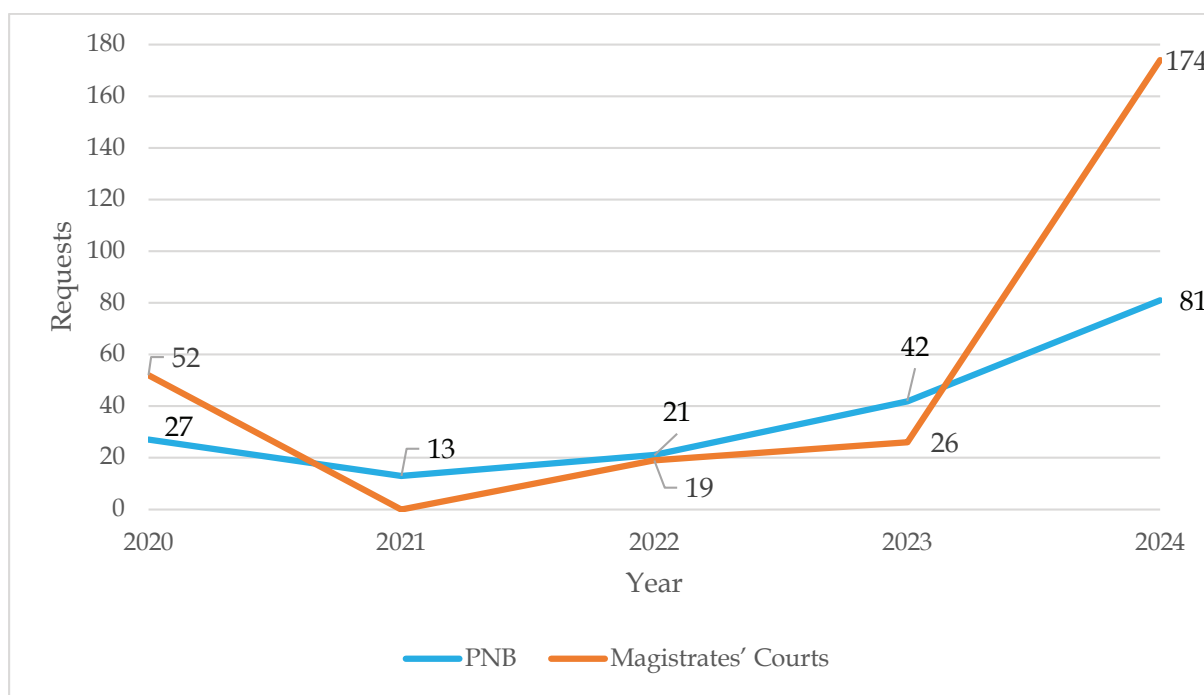
### 1.5.1 Special Operations Carried Out by Law Enforcement Agencies

In December 2023, the Sri Lankan government launched the “Yukthiya Operation” (Operation Justice), a nationwide campaign to combat drug-related activities and associated crimes, which continued into 2024. The operation led to large scale arrests, the seizure of narcotics, and the freezing and confiscation of high valued illegal assets.

After Operation Justice, the number of information requests received by FIU – Sri Lanka from PNB and the Magistrates’ Courts increased in 2024. These requests sought assistance in obtaining bank account details of suspects to facilitate LEAs’ investigations into criminal proceeds. Figure 1.11 illustrates the rise in such information requests during the year.

**Figure 1.11**

**Information Requests from Police Narcotic Bureau and Magistrates' Courts**



### 1.5.2 Facilitating Investigations of Law Enforcement Agencies through Provision of Information Upon Request.

The FIU – Sri Lanka processes information requests received from LEAs, IAs, Magistrates' Courts and RAs using available data at FIU – Sri Lanka databases or collecting information as required from RIs and foreign FIU counterparts. As per Table 1.5, the total number of information requests received from above mentioned authorities for the year 2024 is 711.

**Table 1.5**  
**Information Requests Received by FIU – Sri Lanka**

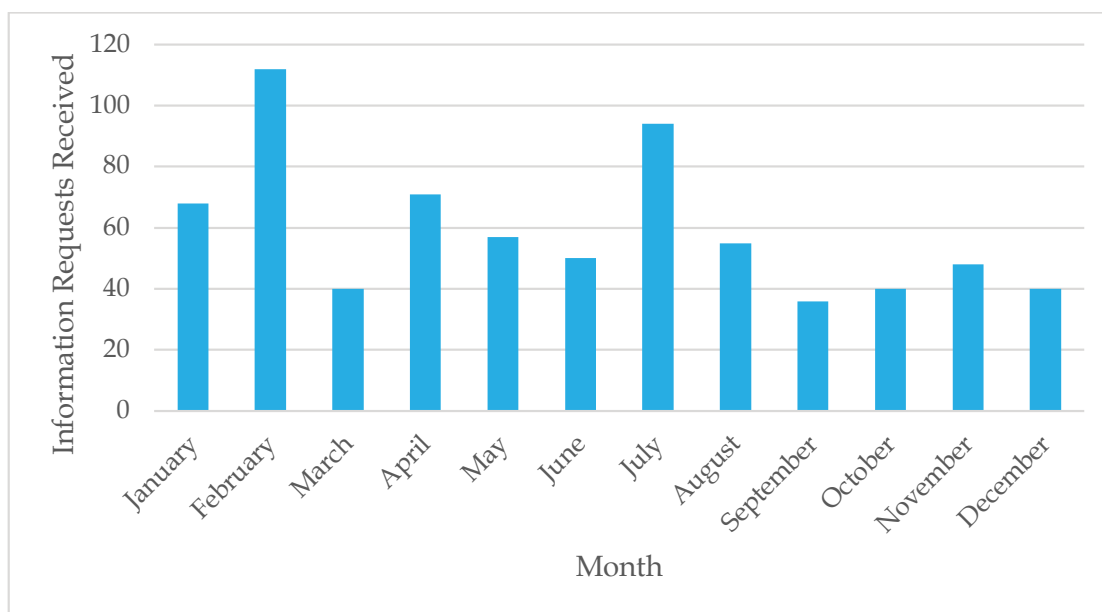
|   | 2020  | 2021 | 2022 | 2023 | 2024 |
|---|-------|------|------|------|------|
| Information Requests received from LEAs, IAs, Magistrates' Courts and RAs | 1,561 | 871  | 500  | 508  | 711  |

*Source: Financial Intelligence Unit – Sri Lanka*

The information requests from LEAs, IAs, and RAs reported an increase of 39.9% in 2024 compared to 2023. This increasing trend is largely attributed to Operation Justice. Figure 1.12 shows the number of information requests received from LEAs and other authorities during 2024.

**Figure 1.12**

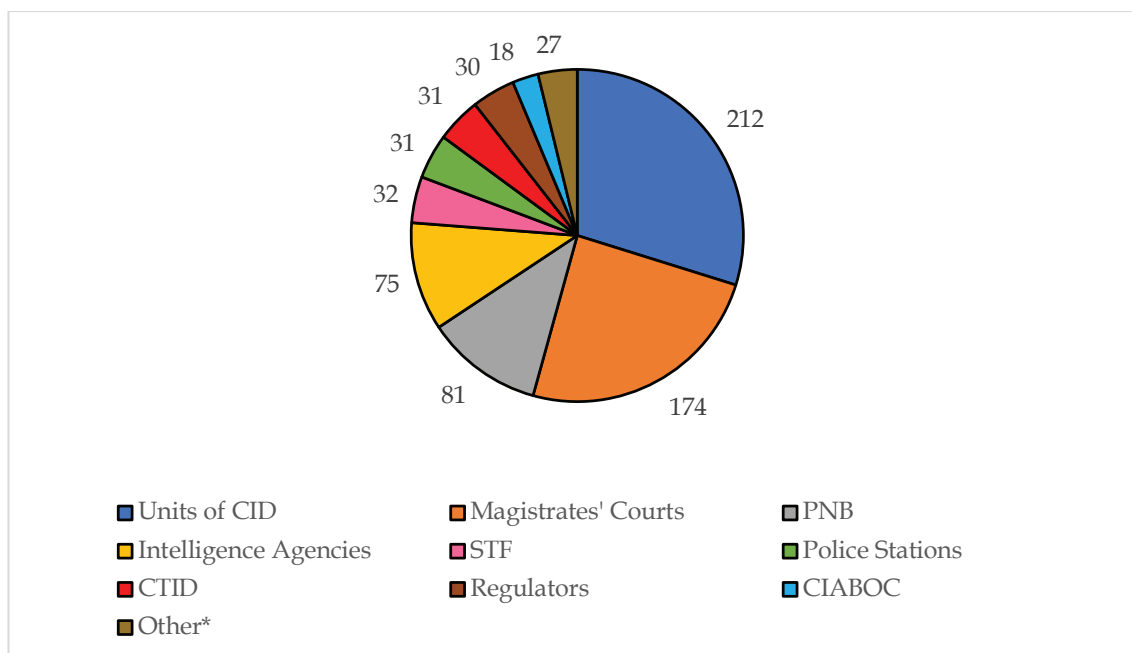
**Information Requests Received from Law Enforcement Agencies, Regulatory Authorities, and Intelligence Agencies - 2024**



Information requests received from LEA/RAs/IAs during 2024 based on the authority type is depicted by Figure 1.13.

**Figure 1.13**

**Information Requests Received by Requesting Authority Type**



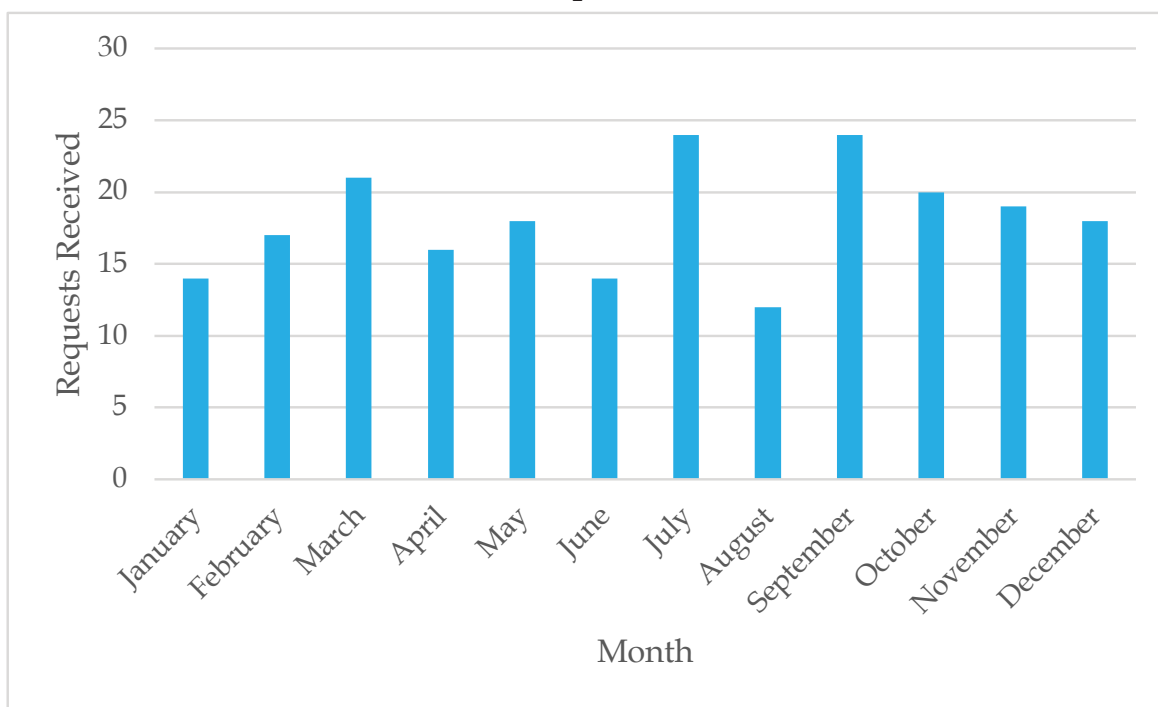
*\*Other – Ministry of Defense, Inland Revenue Department, Police Special Branch, Divisional Crime Detective Bureau, National Child Protection Authority, Sri Lanka Air Force-Air Intelligence Division*



### 1.5.3 Facilitating Investigations of Law Enforcement Agencies Through Coordination with Reporting Institutions

LEAs obtain Assistance from FIU – Sri Lanka to collect information and documents from RIs to facilitate their investigations. FIU – Sri Lanka has issued guidelines to the Sri Lanka Police in 2021, followed up with the amendments made in 2023. It is observed that the Sri Lanka Police is closely following the said guidelines in requesting assistance from FIU – Sri Lanka. The total number of Assistance Letter Requests received from LEAs for the year 2024 is 217. The Figure 1.14 shows the number of Assistance Letter Requests received from LEAs during 2024.

**Figure 1.14**  
**Assistance Letter Requests Received - 2024**



### 1.5.4 Issue Typologies, Red Flags and Feedback to Reporting Institutions

Based on the operational and strategic trend analysis, FIU – Sri Lanka has from time to time issued typologies and red flag indicators to RIs. FIU – Sri Lanka issued red flag indicators covering 5 key areas to all FIs in 2024 as depicted in Table 1.6.

**Table 1.6**  
**Red Flag Indicators Issued - 2024**

| <b>No.</b> | <b>Red Flag</b>  |
|------------|--|
| No. 1/2024 | Unregulated Online Money Lending Activities                |
| No. 2/2024 | Identification of Suspicious Transactions Relating to TBML |
| No. 3/2024 | Large Scale Scam Operations                                |
| No. 4/2024 | Website Spoofing   |
| No. 5/2024 | Tax Related Money Laundering                               |

During 2024, FIU – Sri Lanka provided STR feedback to RIs for the STRs reported in 2023. The feedback was provided to 7 Licensed Commercial Banks (LCBs) and 2 Licensed Finance Companies (LFCs). The RIs selected cover 80% of the STRs submitted in the banking sector, and 20% in other sectors, respectively. The feedback consisted of statistical overview, action taken and areas for improvements based on case studies. In addition, 4 workshops and 2 one-on-one meetings were conducted with selected RIs to provide feedback on the STRs reported by them.

### **Virtual Asset Related Prohibited Schemes on the Rise in Sri Lanka**

The surge in Virtual Assets (VAs) related prohibited schemes is a significant concern, with fraudsters increasingly exploiting online platforms and deceptive tactics to defraud individuals and recruit them into schemes. These prohibited schemes often prey on the general public's limited knowledge of VA related technologies, predominantly cryptocurrencies. Fraudsters claim that profits are generated through investing and trading in VAs, while simultaneously encouraging participants to recruit more members to increase their profits. In reality, these schemes primarily rely on the investments of new recruits rather than genuine VA-related profits.

The lack of regulatory oversight in Sri Lanka for VAs enables fraudsters to claim that they are engaging in Virtual Assets Service Provider (VASP) activities without any licensing or registration. As the popularity of VAs grows, these prohibited schemes continue to thrive in this poorly understood and unregulated space, making it easier to draw victims. Eventually, participants face financial losses when the schemes collapse due to the inability to recruit new members to sustain the operation.

#### **Tactics Used by Fraudsters**

Fraudsters exploit social media platforms such as Facebook, Instagram, and YouTube to promote prohibited schemes, often showcasing fictitious earnings to appear credible and entice victims into joining these prohibited schemes and investing in VA or related activities. Messaging applications like WhatsApp and Telegram further enable these operations by facilitating personalized communication, allowing fraudsters to build trust before recruiting new members and soliciting funds. Many of these schemes utilise professional-looking websites, which are relatively easy to create, to mimic legitimate businesses, making it difficult for users to differentiate between authentic and fraudulent ventures. Additionally, misleading educational events, such as in-person training sessions and webinars, are organised to falsely portray expertise in VA trading. Once participants are drawn into these prohibited schemes and their investments are secured, they are encouraged to recruit additional members to increase profits. Fraudsters often delay withdrawals or persuade victims to reinvest supposed earnings. Eventually, as the flow of new members dwindles, the upper tiers of the scheme disappeared, leaving participants to suffer significant financial losses.

## **The Sri Lankan Context**

Virtual Currency (VC), which falls under the category of VAs, is not regulated in Sri Lanka, not recognised as legal tender or investment and provides no regulatory safeguards. The Central Bank frequently warns the public about the risks associated with VA-related investments, emphasizing that schemes promising high returns often bypass consumer protections, potentially leading to significant financial losses for investors. The Central Bank has explicitly stated that it has not licensed or authorised any entity to operate VA businesses, including exchanges, Initial Coin Offerings (ICOs), or advisory services.

## **Red Flags**

Unsolicited offers, pressure to act quickly, reliance on profits from new recruits, and promises of high returns within a short period are common warning signs of potential prohibited schemes. Fraudsters often claim to hold company registrations to appear legitimate and gain trust. They highlight zero risk, lifelong operations, and guaranteed high returns in a short timeframe, while frequently concealing the mechanisms and evidence behind the activities purportedly generating these profits. In reality, their earnings typically come solely from the investments of new members.

In most prohibited schemes, fraudsters provide victims with logins to web based systems that display fake wallet balances aligned with the investor's deposited amounts. However, these balances are not recorded on real blockchains, where legitimate VA related transactions should be recorded.

## **Protecting against Prohibited Schemes**

It is crucial to always engage with financial institutions that are licensed and regulated by the Central Bank or another official regulator. Verifying investment opportunities with trusted financial advisors and conducting thorough research before making decisions is essential to ensure financial safety in all activities. Deals that promise high returns with little or no risk, but lack proof of legitimate business activity, should be avoided, as these are common tactics used by fraudsters. Often, when an offer appears unusually profitable, it is more likely to be a prohibited scheme.

Additionally, if a scheme offers commissions for new recruitments and claims to operate as a Multi-Level Marketing (MLM) strategy or Network Marketing, it is often a tactic used by fraudsters.

It should be noted that participating in prohibited schemes is also an offense, which could lead to the loss of deposited money and legal actions. When an individual has



interacted with a prohibited scheme, prompt action is crucial. The incident should be reported to local authorities, such as the police, to support ongoing investigations. A formal complaint can also be filed with the Director of the Financial Intelligence Unit of Sri Lanka (FIU - Sri Lanka). It is important to avoid engaging with follow-up scams, as fraudsters often attempt to further deceive and defraud victims by offering investment recovery services for a fee mostly after a prohibited scheme is collapsed. Additionally, if login credentials to wallets or accounts have been compromised, they should be changed immediately to secure the accounts and prevent further losses.

### **Actions from Authorities**

The FIU works closely with law enforcement and other stakeholders (local and international) to monitor and disrupt prohibited schemes. If the public becomes vigilant and identifies such illegal activities, reporting them to the Central Bank or the nearest police station will play a crucial role in detecting scams and prohibited schemes. Several such prohibited schemes associated with VAs related activities and operating in violation of Section 83C of the Banking Act No. 30 of 1988 have been identified by the Central Bank.

- Sport Chain App, Sports Chain ZS Society Sri Lanka
- OnmaxDT
- MTFE App, MTFE SL Group, MTFE Success Lanka (Pvt) Ltd, and MTFE DSCC Group (Pvt) Ltd
- Ledger Block
- Ride to Three Freedom (Pvt) Ltd

### **Summary**

The rise of VAs related prohibited schemes in Sri Lanka is a growing concern, with fraudsters exploiting the lack of regulation and public knowledge about cryptocurrencies. These schemes promise high returns through investments and recruitment, relying on new recruits' funds rather than legitimate profits. Fraudsters use social media, messaging apps, and professional-looking websites to lure victims, who often suffer significant financial losses when the schemes collapse. With VAs activities unregulated in Sri Lanka, the Central Bank has issued warnings, and participants are advised to engage only with licensed institutions, avoid risky offers, and report suspicious schemes to authorities. Public vigilance is crucial in preventing these fraudulent activities and protecting financial safety.

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## **Diverted Donations: The Hidden Threat of Terrorist Financing in Non-Profit Organisations**

### **Introduction**

Non-Profit Organisations (NPOs) play a crucial role in humanitarian and socio-economic development all over the world. Such organisations, which operate with the aim of serving the society rather than making a profit, can be easily exploited especially for Terrorist Financing (TF) due to their weak regulatory oversight. As such, strengthening their legal framework, improving their financial transparency and increasing awareness on their vulnerability for TF, among the sector as well as the public is much essential to mitigate these risks while ensuring their continued contribution to enhance the socio-economic development of the society.

### **Global Standards and Regulations**

The Financial Action Task Force (FATF) is an intergovernmental body established in 1989 to develop standards to promote the effective implementation of legal, regulatory and operational measures to combat Money Laundering (ML) and TF globally. Accordingly, out of 40 Recommendations issued by the FATF, Recommendation 8 solely focused on the NPOs. In general, there are 5 categories of abuse of risk facing NPOs:

- i. The diversion of funds is a significant method of abuse, with actors inside the NPO or external actors (such as foreign partners or third-party fund raisers) being responsible for the diversion to support terrorist entities at some point through the NPO's operational or financial processes;
- ii. NPOs or their directing officials knowingly or unknowingly maintaining an affiliation with a terrorist;
- iii. Abuse to support recruitment efforts by terrorist entities;
- iv. The abuse of programming in which the flow of resources is legitimate, but NPO programmes are abused at the point of delivery;
- v. Abuse through false representation in which terrorist entities start "sham" NPOs or falsely represent themselves as the agents of "good works" in order to deceive donors into providing support.

In this regard, it is clear that preventing NPOs from being exploited for TF remains challenging even with proper regulations.

### Landscape of the Non-Profit Organisations of Sri Lanka

In Sri Lanka, NPOs, also known as Non-Governmental Organisations (NGOs) and Voluntary Social Service Organisations (VSSOs), operate under multiple legal frameworks, primarily the Voluntary Social Service Organisations (Registration and Supervision) Act, No. 31 of 1980 (VSSO Act). The National Secretariat for NGOs oversees their registration and regulation. As per the statistics maintained by them, 43,105 VSSOs were registered under this Act, as of 2024 and has been categorised into National, District and Divisional levels based on their funding sources and operational scope.

**Figure 01: Non-Profit Organisations Registered under the Voluntary Social Service Organisations Act (as of December 2024)**

|                                   |   |
|-----------------------------------|---|
| National Level<br>(1,875 NPOs)    | <ul style="list-style-type: none"> <li>• All local NPOs with foreign fundings</li> <li>• All International NPOs registered overseas and have projects in Sri Lanka</li> <li>• All local NPOs operational in more than one district</li> </ul> |
| District Level<br>(1,156 NPOs)    | <ul style="list-style-type: none"> <li>• All NPOs financed solely by local funds but operational in more than one division</li> </ul>   |
| Divisional Level<br>(40,074 NPOs) | <ul style="list-style-type: none"> <li>• All local NPOs financed solely by local funds and operative in one division</li> </ul>   |

### Risk Assessment of Non-Profit Organisations for Terrorist Financing

Sri Lanka's first risk assessment of NPO's exposure to TF was conducted in line with the National Risk Assessment (NRA) 2021/22. It had a risk-based approach focusing on the National level NPOs, categorising them into 6 sub sectors i.e., health and sanitation, training and education, relief programmes, enterprise development and poverty alleviation, human rights and environmental and other NPOs. According to the quantitative and qualitative data and information gathered for the assessment period, the final ratings of the inherent risk of abuse of the NPO sector in Sri Lanka for TF, distributed from Low to Medium for the 6 different categories of NPOs while mitigation measures implemented by the government and the respective categories of NPOs rated as Medium.



## **Weaknesses Identified Regarding Non-Profit Organisations in Sri Lanka and the Measures Taken to Mitigate the Risk**

The VSSO Act and its amendments made in 1998 have vested the necessary powers in the National Secretariat for NPOs for the registration and supervision of NPOs but has several weaknesses. This includes the lack of penalties for non-registration or non-compliance, no provisions for re-registration and de-registrations, unclear legal framework for on-site inspections, insufficient financial transparency requirement, absence of a centralised database and low awareness of TF risks within the sector.

To minimise the identified weaknesses, the National Secretariat for NGOs is already taking necessary steps to amend the existing laws, taking into account the major weaknesses currently identified in the Act and continuous awareness programmes are conducted district wise. Financial Intelligence Unit of Sri Lanka (FIU - Sri Lanka) has mandated Enhanced Due Diligence for NPOs and their key members, requiring financial transactions to be conducted only in the name of the organisation and prohibiting the use of personal accounts for fundraising.

Following the identification of TF risks associated with the NPO sector in the NRA 2021/22, the FIU, in collaboration with the National Secretariat for NGOs, has undertaken initiatives to enhance awareness among the officials of the Secretariat on the potential risks of abuse for TF, ensuring stronger oversight and risk mitigation within the sector. Furthermore, strengthening the collaboration between the institutions, FIU and National Secretariat for NGOs entered into a Memorandum of Understanding on November 04, 2024, to exchange intelligence on ML/TF or any other financial crimes related to the sector.

### **Summary**

With over 43,000 registered NPOs operating island wide, contributing significantly to enhance social and community development, generate employment and attract foreign exchange, there is a possible risk of them becoming targets of terrorist organisations, directly or indirectly. Identifying the risks of NPOs being misused for TF and taking appropriate measures both at the state level and organisational level to mitigate those identified risks can help NPOs to continue to serve the society without being misused for illicit activities.

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4. Financial Intelligence Unit (FIU). (2016, January 27). Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 - Extraordinary Gazette No 1951/13.
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**2.1 Introduction**

During 2024, FIU - Sri Lanka continued to collaborate closely with relevant Competent Authorities (CAs) and Regulatory Authorities (RAs) mainly by sharing information.

FIU - Sri Lanka engaged with all stakeholders in providing comments for legislative amendments, following up on institution-wise Action Plans, providing technical assistance and training, etc. In 2024, FIU - Sri Lanka further strengthened its international collaborations by sharing intelligence and information with counterpart FIUs. FIU - Sri Lanka signed a Memorandum of Understanding (MOU) with the Financial Intelligence National Centre of Bahrain (FIU - Bahrain), to exchange information. FIU - Sri Lanka continued its close coordination with the Asia Pacific Group on Money Laundering (APG) and Egmont Group throughout the year, actively participating in the events organised by the APG and the Egmont Group, further strengthening its global efforts in combating financial crimes.

The key activities carried out relevant to domestic and international cooperation are listed in Table 2.1.

**Table 2.1****Key Activities and Sub Activities Relevant to Domestic and International Cooperation**

| <b>Key Activities</b>     | <b>Sub Activities</b>  |
|---------------------------|--|
| Domestic Cooperation      | <ul style="list-style-type: none"> <li>• Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) National Coordinating Committee and Establishment of the AML/CFT Task Force</li> <li>• Sharing information with CAs and RAs</li> <li>• Signing MOUs with domestic agencies</li> <li>• Attending Right to Information requests</li> <li>• Other forms of domestic cooperation</li> </ul> |
| International Cooperation | <ul style="list-style-type: none"> <li>• Exchanging information with counterpart FIUs</li> <li>• Signing MOUs with counterpart FIUs</li> <li>• Facilitating the upgrading of Sri Lanka's Technical Compliance of Financial Action Task Force (FATF) Recommendations</li> <li>• Other forms of international cooperation</li> </ul>   |

## **2.2 Domestic Cooperation**

### **2.2.1 AML/CFT National Coordinating Committee and Establishment of AML/CFT Task Force**

The AML/CFT National Coordinating Committee (NCC) is a Cabinet approved committee that facilitates and coordinates national efforts to combat ML/TF in compliance with relevant national laws, regulations, and international standards. The Governor of the Central Bank serves as the Chairman of the NCC and it comprises of representatives from government agencies, law enforcement authorities, regulatory bodies, and other key stakeholders involved in AML/CFT efforts. The committee meets to discuss AML/CFT issues, review progress, and address emerging trends, challenges, and concerns. During 2024, 3 meetings of the NCC were held to discuss policy directions on AML/CFT matters.

Further, a Cabinet-approved AML/CFT Task Force was established in December 2023 to review the progress of the stakeholder-wise Action Plans prepared to enhance the effectiveness of the country's AML/CFT regime in preparation for the upcoming Mutual Evaluation (ME) scheduled for 2026. During 2024, the AML/CFT Task Force conducted 31 progress review meetings with stakeholders to monitor and follow-up on the implementation of the stakeholder-wise Action Plans.

A team of senior officials of the Central Bank, FIU - Sri Lanka, and the AML/CFT Task Force met with His Excellency the President on December 12, 2024 to provide an update on the upcoming ME. The Director of FIU - Sri Lanka delivered a presentation highlighting the international context, upcoming ME, consequences of grey listing, key actions taken and the way forward. The delegation also highlighted the need to re-constitute the AML/CFT Task Force, expediting the legislative amendments and introducing new legislations. Following this meeting, the AML/CFT Task Force was reconstituted by H.E. the President in December 2024 with high level ministerial representation, reinforcing the government's commitment to AML/CFT reforms and its broader efforts to combat corruption. The Task Force now comprises 6 key members. A subsequent meeting was held by the President for Cabinet Ministers and Ministry Secretaries on December 23, 2024 to update them on the upcoming ME and the responsibilities of the stakeholder institutions under the Action Plans.

### **2.2.2 Competent Authorities and Regulatory Authorities**

FIU - Sri Lanka works closely with a wide range of institutions to ensure the effective implementation of AML/CFT measures across the country. Accordingly, it collaborates with the Attorney General's Department, as well as with key ministries: the Ministry of Finance, Ministry of Justice, Ministry of Foreign Affairs, Ministry of Defence, Ministry of Public Security, Ministry of Industries, and Ministry of Trade. In addition, FIU - Sri Lanka engages with other Competent Authorities, RAs, and self-regulatory bodies. These collaborating entities are illustrated in Figure 2.1.



**Figure 2.1**  
**Competent Authorities and Regulatory Authorities Collaborating**  
**with FIU – Sri Lanka**

### **Competent Authorities**

- Sri Lanka Police (CID\*, CTID, PNB, STF etc.)
- Sri Lanka Customs
- Commission to Investigate Allegations of Bribery or Corruption
- Inland Revenue Department
- National Intelligence Agencies
- Ministry of Defence
- Excise Department of Sri Lanka
- Department of Wildlife Conservation
- Forest Department
- National Dangerous Drugs Control Board
- Department of Immigration and Emigration
- Department of Registration of Persons
- Department of Motor Traffic
- Colombo Port City Commission

### **Regulatory Authorities**

- Regulatory Departments of the CBSL (BSD, DSNBFI, DFE, PSD, FCRD and DIRD\*\*)
- Securities Exchange Commission of Sri Lanka
- Insurance Regulatory Commission of Sri Lanka
- National Secretariat for Non-Governmental Organisations
- National Gem and Jewellery Authority
- Condominium Management Authority
- Construction Industry Development Authority
- Registrar General's Department
- Department of Registrar of Companies

### Self Regulatory Bodies

- Bar Association of Sri Lanka
- Institute of Chartered Accountants of Sri Lanka

Further, statistics on dissemination of information to CAs and RAs for 2024 are presented in Section 1.3, in Chapter 1: Referring and Dissemination of STRs to LEAs and RAs.

### 2.2.3 Memoranda of Understanding with Domestic Agencies

During the year 2024, the FIU – Sri Lanka entered into 4 MOUs with domestic agencies, namely, the Excise Department of Sri Lanka, CIABOC, Registrar General’s Department, and the National Secretariat for Non-Governmental Organisations, to exchange information related to ML, TF and related criminal activities. By end 2024, the total number of MOUs signed with CAs and RAs stood at 16.

**Figure 2.2**  
**MOUs with Domestic Agencies (as at December 31, 2024)**

**2010**

- Sri Lanka Customs

**2016**

- Department of Immigration and Emigration
- Inland Revenue Department

**2017**

- Department for Registration of Persons
- Sri Lanka Police

**2018**

- Securities and Exchange Commission of Sri Lanka
- Insurance Regulatory Commission of Sri Lanka
- Department of Motor Traffic

## 2019

- Condominium Management Authority
- National Gem and Jewellery Authority
- INTERPOL National Central Bureau for Sri Lanka

## 2020

- Chief of National Intelligence, Ministry of Defence

## 2024

- Excise Department of Sri Lanka
- Commission to Investigate Allegations of Bribery or Corruption
- Registrar General's Department
- National Secretariat for Non-Governmental Organizations

### 2.2.4 Other Forms of Domestic Cooperation

During 2024, FIU – Sri Lanka engaged in and facilitated several legislative amendments to strengthen the AML/CFT legal framework of the country. As the Secretariat to the AML/CFT Task Force, FIU – Sri Lanka facilitated the work of the Task Force throughout the year. Also, FIU – Sri Lanka conducted and participated in LEA advisory meetings, joint meetings with the Attorney General's Department, CID, CIABOC, Legal Draftsman's Department, Department of Registrar of Companies, etc., throughout the year, coordinating the ME preparatory activities.

Figure 2.3

#### Other Forms of Domestic Cooperation - 2024

##### Introducing amendments to the main AML/CFT legislations

- Prevention of Money Laundering Act, No. 5 of 2006
- Financial Transactions Reporting Act, No. 6 of 2006
- Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005

##### Facilitating related legislative amendments

- Amendments to the Companies Act, No. 7 of 2007
- Proceeds of Crime Bill
- Strategic Trade Management Bill

**Assisting in preparation of Regulations, Guidelines, etc.**

- Facilitated introducing regulations under the Colombo Port City Economic Commission Act, No. 11 of 2021
- Facilitated introducing Money or Value Transfer Service Providers Regulations

**Implementation of UNSCRs**

- For the effective implementation of UNSCRs, as a permanent member of the Targeted Financial Sanctions (TFS) Committee, the FIU - Sri Lanka regularly participated in the committee meetings.

**Stakeholder-wise Action Plans**

- The AML/CFT Task Force held regular meetings with stakeholder institutions to follow-up on the progress of implementation of the Action Plans provided to each stakeholder.

**Participation in Committees**

- Active participation in related committees with LEAs, Attorney General's Department, CIABOC, regulatory departments of the Central Bank, etc.
- Participation in Committees in relation to legislative drafting (Proceeds of Crime Bill, Gambling Regulatory Authority Bill and Construction Industry Development Authority Act amendments).

### 2.2.5 Right to Information Requests

FIU - Sri Lanka is a separate public authority for the purposes of the Right to Information Act, No. 12 of 2016 (RTI Act). FIU - Sri Lanka provided responses to 14 requests received as stipulated in the RTI Act in 2024. Table 2.2 presents the statistics on dissemination of information pertaining to requests made under the RTI Act.

**Table 2.2**  
**Dissemination of Information in Relation to Requests Made Under the**  
**Right to Information Act - 2024**

| Description  | Number |
|--|--------|
| Information requests received by FIU – Sri Lanka                               | 15     |
| Information requests received for which information was provided               | 14     |
| Information requests received, where provision of information was rejected     | -      |
| Information requests received during 2024 and being processed as at 31.12.2024 | 01     |

*Source: Financial Intelligence Unit- Sri Lanka*

## 2.3 International Cooperation

FIU – Sri Lanka cooperates with international bodies such as the APG and the Egmont Group as well as counterpart FIUs around the globe. The mode of sharing information with counterpart FIUs is through the ESW as well as through bilateral means.

Table 2.3 shows the information requests received, and information requests made by FIU - Sri Lanka from 2020 to 2024.

**Table 2.3**  
**Sharing of Information with Foreign Counterpart FIUs (2020-2024)**

|                   | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------|------|------|------|------|------|
| Requests Received | 15   | 19   | 27   | 13   | 22   |
| Requests Made     | 35   | 49   | 35   | 34   | 37   |

### 2.3.1 Memoranda of Understanding with Counterpart FIUs

With the signing of an MOU with the Financial Intelligence National Centre of Bahrain (FIU - Bahrain), as of end 2024, FIU – Sri Lanka has entered MOUs with 45 foreign counterparts for sharing of information for intelligence purposes. Further, during 2024, FIU – Sri Lanka has initiated the process of entering MOUs with FIUs of New Zealand, Oman, Mauritius and the United Arab Emirates (UAE).



**Figure 2.4**  
**Memoranda of Understanding Signed with Foreign Counterpart FIUs**  
**(as at end 2024)**

**2008 - 2009**

|           |             |                   |
|-----------|-------------|-------------------|
| Malaysia  | Afghanistan | Republic of Korea |
| Indonesia | Nepal       | Philippines       |
| Cambodia  |             |                   |

**2010 - 2011**

|                |            |              |
|----------------|------------|--------------|
| India          | Australia  | Belgium      |
| Solomon Island | Bangladesh | South Africa |
| Fiji           | Canada     | Slovenia     |

**2012 - 2013**

|                          |          |         |
|--------------------------|----------|---------|
| United States of America | Mongolia | Russia  |
| Saudi Arabia             | Japan    | Lebanon |
| Costa Rica               | Denmark  |         |

**2014 - 2016**

|                 |          |           |
|-----------------|----------|-----------|
| Albania         | Peru     | Myanmar   |
| Kyrgyz Republic | Pakistan | Panama    |
| Ukraine         | Israel   | Singapore |

**2017 - 2022**

|                   |        |                  |
|-------------------|--------|------------------|
| Thailand          | Bhutan | China            |
| Trinidad & Tobago | Qatar  | Papua New Guinea |
| Maldives          |        |                  |

**2023 - 2024**

|         |                    |             |
|---------|--------------------|-------------|
| Uganda  | Kingdom of Lesotho | Timor-Leste |
| Lao PDR | Bahrain            |             |

### 2.3.2 Other Forms of International Cooperation

In 2024, FIU – Sri Lanka engaged with the APG and the Egmont Group, participating in several key events. FIU – Sri Lanka also provided expert assessors and reviewers for mutual evaluations for 3 jurisdictions. Also, FIU – Sri Lanka received technical assistance and expert consultation from the international agencies.

**Figure 2.5**  
**Other Forms of International Cooperation - 2024**

#### **Asia Pacific Group on Money Laundering:**

- A team of officers from FIU – Sri Lanka and 3 senior officers each representing the Sri Lanka Police, Sri Lanka Customs and the Ministry of Foreign Affairs attended the 2024 APG Annual Meeting and Technical Assistance and Training Forum held during September 22-27, 2024 in the United Arab Emirates (UAE). The delegation had several side meetings with APG, International Monetary Fund (IMF), United Nations Office on Drugs and Crimes (UNODC) and US Treasury, country meetings with India and Pakistan, and side meetings with Philippines and Lao People's Democratic Republic (Lao PDR).
- Based on a request made by Sri Lanka in July 2024, it was agreed at the APG Plenary to reschedule the Sri Lanka's 3rd ME to commence in March 2026. The request for postponement was made mainly to avoid any potential disturbances for the ME preparation process as a result of several major elections that had been planned for the subsequent 12 months.
- A senior officer of FIU – Sri Lanka participated in the 2024 APG Plenary as an assessor for the ME of Timor-Leste. Two more officers of FIU – Sri Lanka contributed as reviewers for the MEs of Nauru and Marshall Islands, respectively, the Mutual Evaluation Reports (MERs) of which were discussed at the 2024 APG Plenary, prior to being adopted.
- Further, 2 officers of FIU – Sri Lanka are currently engaged as reviewers for the ME Follow-Up Reports of Vietnam and Lao PDR.
- FIU – Sri Lanka participated in several virtual Mutual Evaluation Committee (MEC) meetings held during the year, mainly to discuss the members' MERs and Follow-Up Reports.
- Furthermore, FIU – Sri Lanka interacted with its regional counterparts via the APG South Asian regional group.

**Egmont Group:**

- The Director of FIU – Sri Lanka attended the 30th Plenary of the Egmont Group held during June 2-7, 2024, in France. This meeting was attended by the Heads of FIUs of the Egmont Group member countries. Successful discussions were carried out by the Director of FIU – Sri Lanka with senior officials of Egmont Centre of FIU Excellence & Leadership (ECOFEL) to secure training programmes for FIU analysts on operational and strategic analysis techniques.
- A team of officials of FIU – Sri Lanka contributed to the review of Egmont Group membership application process of FIU - Maldives in collaboration with FIU - Bangladesh and participated in several virtual discussions with the respective FIUs. Based on the outcomes of the discussions, onsite visit and assessments, FIU - Maldives was granted the membership to the Egmont Group at the 30<sup>th</sup> Egmont Group Plenary.

**International AML/CFT Consultant:**

- Sri Lanka secured the services of a renowned international AML/CFT expert in March 2024 to streamline Sri Lanka's preparedness for the upcoming ME. Under the expert's consultancy Sri Lanka carried out the first phase of preparation for the ME through review of legislations and assessing the preparedness of its stakeholders.

**Technical Assistance:**

- The Asian Development Bank (ADB) conducted an Enterprise-wide ML/TF Risk Assessment for Domestic Banks in Sri Lanka during January 2024.
- Officers of the Information Technology Service of the UNODC, visited Sri Lanka from August 27 to September 06, 2024, to provide technical support and they engaged in the upgrading process of goAML version 4.9 to version 5.4.
- The Royal United Services Institute (RUSI), a defense and security think tank in the United Kingdom, conducted a Countering the Proliferation Financing (CPF) Workshop for the officers of FIU – Sri Lanka, Licensed Banks, Sri Lanka Customs, Sri Lanka Atomic Energy Board, Department of Immigration and Emigration, Department of Imports and Exports Control and Ministry of Foreign Affairs in October 2024.
- During 2024, the US Embassy in Sri Lanka organized and conducted a series of programmes on Advanced Cybercrime Investigations, Wisconsin Project on Nuclear Arms Control, International Dual-Use Investigations, ML for Prosecutors and Investigators, Financial Crime Programme for Attorneys-at-Law, Best Practices in Export Controls and Sanctions Risk Management, etc.

- Binance's Financial Crime Compliance team conducted a Cryptocurrency Analysis and Investigation training for the officers of FIU - Sri Lanka, key stakeholders and LEAs in July 2024.
- UNODC conducted several programmes in the areas of Financial Investigations of Wildlife and Forest Crime, Mapping Drug Trafficking Networks in the East Indian Ocean, Data Sharing for Enhanced Anti-Corruption Efforts, etc. during 2024.

### 2.3.3 Update on the Country's Technical Compliance level for 40 Recommendations of the Financial Action Task Force as at end 2024

With the adoption of the last MER at the APG Plenary in July 2015, Sri Lanka was required to submit annual progress reports on implementing actions recommended in the MER, and Sri Lanka submitted the last progress report in 2021. Sri Lanka's technical compliance progress on the FATF 40 Recommendations since the last MER are depicted in Table 2.4 below.

**Table 2.4**

#### **Current Level of Sri Lanka's Technical Compliance Ratings for Financial Action Task Force 40 Recommendations (as at 31.12.2024)**

| <b>Level of Compliance</b> | <b>At the MER Adoption in July 2015</b> | <b>After Re-rating in 2016</b> | <b>After Re-rating in 2018</b> | <b>After Re-rating in 2019</b> | <b>After Re-rating in 2020</b> | <b>After re-rating in 2021</b> |
|----------------------------|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Compliant (C)              | 5                                       | 5                              | 6                              | 7                              | 7                              | 7                              |
| Largely Compliant (LC)     | 7                                       | 16                             | 21                             | 24                             | 24                             | 25                             |
| Partially Compliant (PC)   | 16                                      | 13                             | 8                              | 7                              | 8                              | 7                              |
| Non-Compliant (NC)         | 12                                      | 6                              | 5                              | 2                              | 1                              | 1                              |
|                            | <b>40</b>                               | <b>40</b>                      | <b>40</b>                      | <b>40</b>                      | <b>40</b>                      | <b>40</b>                      |

*Source: Financial Intelligence Unit- Sri Lanka*

## **Key Features of Revision to Recommendations of the Financial Action Task Force on Beneficial Ownership of Legal Persons**

### **Introduction**

Efforts to combat Money Laundering and Terrorist Financing (ML/TF) are often undermined by the difficulty of determining the true owners and controllers of legal entities. While many countries have systems in place to gather information on the legal ownership of entities, identifying the actual individuals who control and benefit from these structures remains a major challenge. In March 2022, Financial Action Task Force (FATF), the global policy setter for Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT), strengthened Beneficial Ownership (BO) standards in Recommendation 24 on legal persons, which mandates that countries ensure competent authorities have access to sufficient, accurate, and current information regarding beneficial owners to ensure greater transparency about the ultimate ownership and control of legal persons and to mitigate the risks of their misuse.

### **FATF Definition**

According to the FATF definition, “beneficial owner” refers to the natural person(s) who ultimately owns or controls, a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective controls over a legal person. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be ultimate beneficial owners of a given legal person. The updated definition of legal persons emphasises the importance of considering both the concepts of ownership and control, explicitly excluding senior managing officials as clarified in the footnote 81 of the FATF Glossary.

### **Key revisions to the standards of BO transparency**

- i. Assess and manage risks of foreign legal persons with a sufficient link in the country.
- ii. Introducing a multi-pronged approach to holding BO information.
- iii. Verification of BO information.
- iv. Discrepancy Reporting and access to procurement authorities.
- v. Abolishing bearer shares and strengthened measures for nominee arrangements.



## Requirements for the countries to comply with global standards

- i. Assess and manage risks of foreign legal persons with a sufficient link in the country.

Countries require to follow a risk based approach and consider the risks of legal persons in their countries. They must assess and address the risk posed by domestic legal persons, as well as foreign created legal persons which have sufficient link in the country<sup>1</sup>.

- ii. Multi-pronged approach to holding BO information.

The standards require countries to adopt a multi-pronged approach to hold BO information which suggests a use of combination of different approaches for collection of BO information to ensure it is available to competent authorities timely.

- a) a company approach:

Companies themselves need to obtain and hold information on their own BO and make such information available to competent authorities timely.

- b) a registry in a public authority or an alternative mechanism:

BO information needs to be held by a public authority or body functioning as beneficial ownership registry designated to keep the BO information, ensuring accessibility. Alternatively, the use of alternative mechanisms, such as stock exchanges, offers an additional layer of diversity in holding BO information if such a mechanism also provides efficient access to adequate, accurate and up-to-date beneficial ownership information by competent authorities.

- c) any other supplementary sources of information:

Any additional supplementary measures that are necessary to ensure the determination of BO of a company. These additional measures include holding BO information obtained by regulated Financial Institutions (FIs) and professionals or held by regulators or in stock exchanges. To further enhance the efficacy of the system, supplementary measures should be implemented.

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<sup>1</sup> According to the FATF, foreign person having sufficient link in the country may be determined on the basis of risk. Examples of sufficiency include, company having a permanent establishment/ branch/ agency, has significant business activity or has significant and ongoing business relations with financial institutions or DNFBPs, subject to AML/CFT regulation, has significant real estate/ other local investment, employs staff, or is a tax resident in the country.

### iii. Verification of BO information

According to FATF Recommendations, a key principle for BO is guaranteeing that BO information is adequate, accurate and up to date. Countries require to maintain beneficial ownership registers and ensure that the information provided is verified. There should be mechanisms in place to guarantee that the information held is as current as possible and updated within a reasonable period to ensure its up to date.

### iv. Discrepancy Reporting and access to procurement authorities

Countries can implement Discrepancy Reporting mechanisms in case the sources of information are holding different information. Furthermore, the revisions require countries to ensure that public authorities have access to BO information of legal persons in the course of public procurement.

### v. Abolishing bearer shares and strengthened measures for nominee arrangements.

The changes include stronger controls to prevent the misuse of bearer shares and nominee arrangements including, not permitting legal persons to issue new bearer shares or bearer share warrants, conversion or immobilisation of the existing ones. Requirements also set up requiring countries taking effective measures to ensure that nominee shareholders and directors are not misused for ML and TF.

### References:

1. Financial Action Task Force (2012-2025), International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, FATF, Paris, France, [www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html](http://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html)

### 3.1 Introduction

FIU – Sri Lanka conducted several activities in 2024 to ensure that RIs comply with AML/CFT legislations in the country. Key among those activities was monitoring institutional compliance through the Risk Based Approach (RBA). In addition to this, a range of linked activities were conducted to strengthen the institutional compliance, throughout the year. These included the supervision of FIs and Designated Non-Financial Businesses and Professions (DNFBPs), through off-site ML/TF risk assessments, AML/CFT on-site and off-site examinations, supervisory actions, thematic reviews, and other regulatory measures aimed at strengthening the AML/CFT framework for FIs and DNFBPs. Additionally, measures were taken to increase the number of DNFBPs coming within the AML/CFT scope by enhancing awareness among the sectors. Collectively, these activities reflect FIU – Sri Lanka’s commitment to maintain a robust and effective AML/CFT regime.

### 3.2 Risk-based Supervision of Financial Institutions

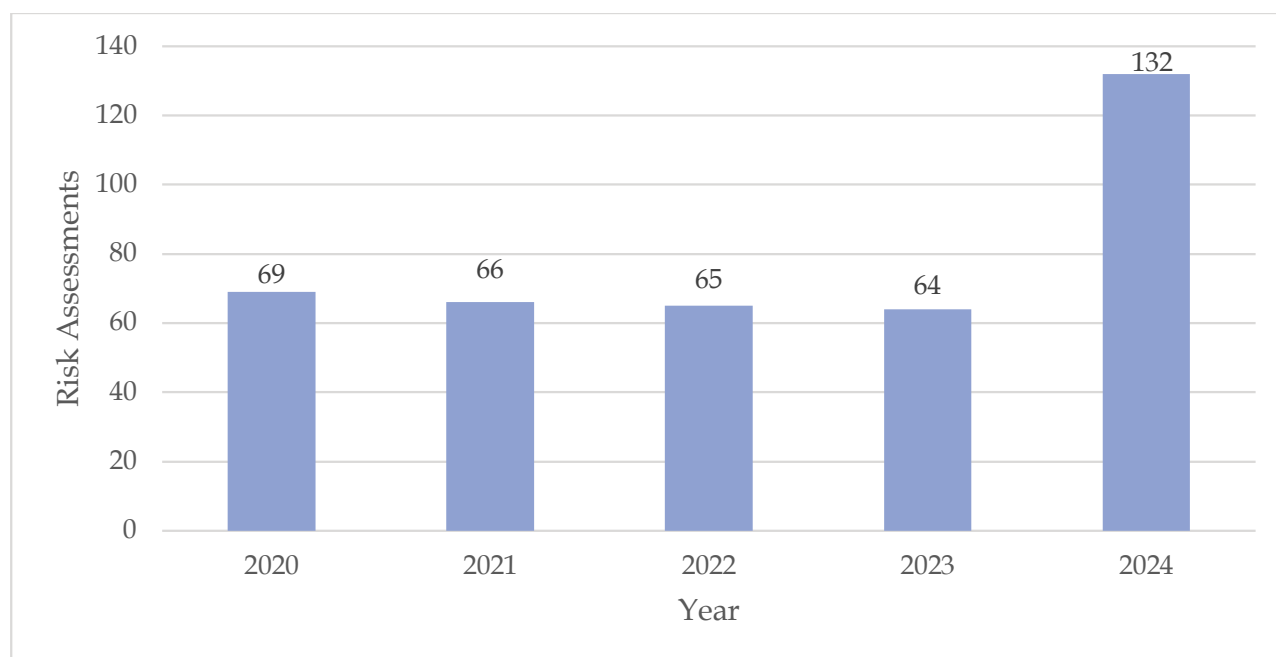
#### 3.2.1 Money Laundering/Terrorist Financing Risk Assessment

As the initial step under the process of Risk-Based Supervision, FIU – Sri Lanka with the collaboration of sector regulators conduct ML/TF risk assessments of FIs on an off-site basis using a risk assessment tool in the 4<sup>th</sup> quarter of every year. Information for the risk assessment is collected through a questionnaire customised for each segment of the FIs. The risk tool considers the inherent risk of the institution, risk mitigants and controls and the residual risk of the institutions. The results obtained from the tool after analysing the collected information and the quality of STRs sent by the FIs, and quality of the threshold reporting are then utilised to formulate the on-site supervisory plan for the upcoming year.

Figure 3.1 depicts the off-site risk assessments conducted during 2024, for FIs.

**Figure 3.1**

**ML/TF Off-site Risk Assessments Conducted on Financial Institutions (2020-2024)**



During 2024, the number of risk assessments conducted significantly increased compared to the previous year. This is largely due to the commencement of conducting the risk assessment of Restricted Dealers (RDs), Primary Dealers (PDs), and Money or Value Transfer Service (MVTs) providers.

The institutional risk assessments for 2024 were carried out by FIU - Sri Lanka with the assistance from sector regulators, Bank Supervision Department (BSD), Department of Supervision of Non-Bank Financial Institutions (DSNBFI), Payments and Settlements Department (PSD), and Department of Foreign Exchange (DFE) of the Central Bank. Furthermore, during the year, the Securities and Exchange Commission (SEC) and Insurance Regulatory Commission of Sri Lanka (IRC SL) carried out risk assessments for their supervised entities.

### **3.2.2 ML/TF Risk Assessment Tool**

The risk assessment tool for Licensed Banks (LBs) and LFCs was initially developed in 2017 based on FIU - Sri Lanka collaboration with the technical assistance provided by the IMF, to identify the ML/TF risk of individual LBs and LFCs. This tool was further improved with the technical assistance from the IMF team in 2019. The tool was revised to version 2.0 in 2024 to reflect the outcomes of the NRA 2021/22, market studies and on-site visits of FIs.

In 2024, FIU - Sri Lanka initiated the assessment of ML/TF risk associated with MVTs providers, PDs, and RDs. Accordingly, by evaluating business activities, products and

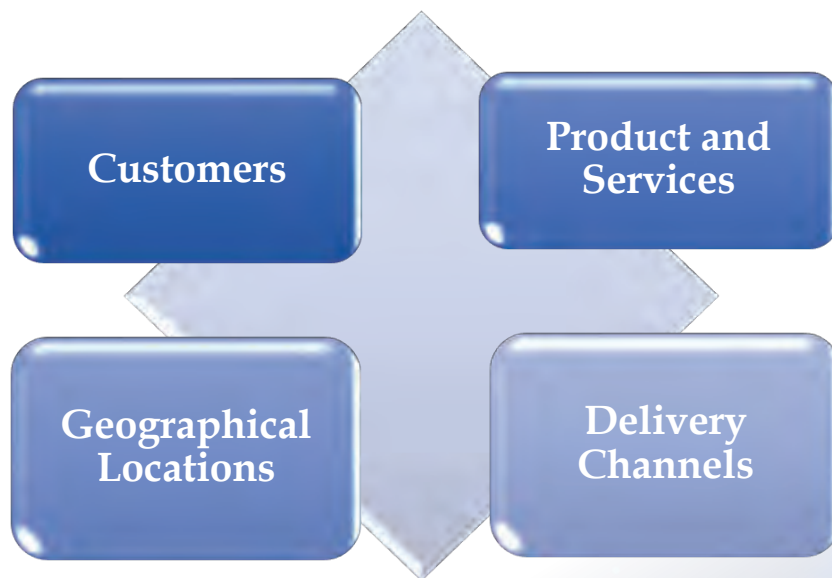
services, delivery channels, and other relevant factors specific to these sectors, FIU - Sri Lanka successfully customised the risk assessment tool provided by the IMF for use with PDs and MVTs providers.

Furthermore, considering the business model, simpler structure, context, materiality, activities, and products used by RDs, FIU - Sri Lanka developed a new risk assessment tool to evaluate the inherent risk and the risk of non-compliance among RDs.

### 3.2.3 Composition of the Risk Assessment Tool

The net ML/TF risk of the FIs is assessed based on structural factors and business risks. Major components of structural factors include the size of the FI, corporate structure, and group structure. In assessing business risk, inherent risk factors such as customers, products and services, delivery channels, and geographical locations are considered, along with risk mitigants and controls assessed through corporate governance, policies and procedures, risk management, internal controls, compliance function, training, and reporting as per the provisions of the FTRA. In the overall risk assessment, structural factors are allocated a weight of 25%, while business risk is allocated a weight of 75%.

**Figure 3.2**  
**Sources of Inherent Risk**





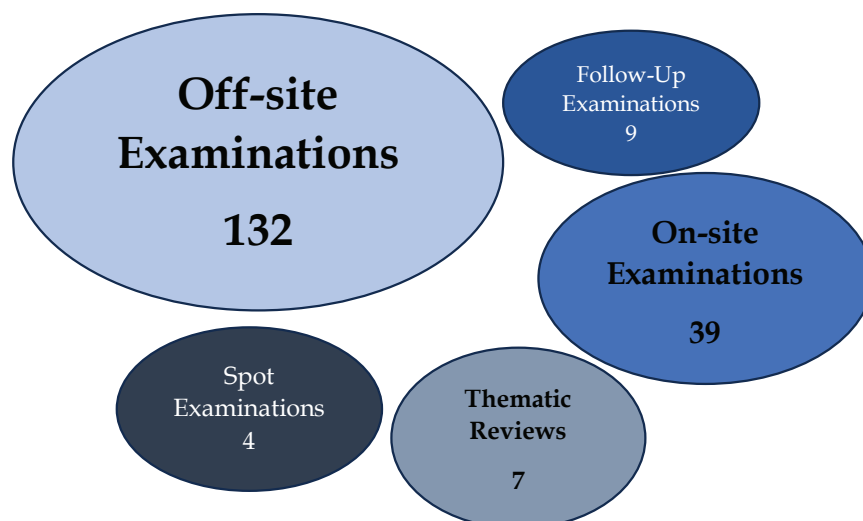
**Figure 3.3**  
**Risk Mitigating and Controlling Variables**



### 3.3 Supervision of Financial Institutions

In 2024, FIU - Sri Lanka successfully executed its annual on-site examination plan, completing a total of 52 examinations which included 39 on-site examinations, 9 follow up examinations and 4 spot examinations. Of these on-site examinations, 25 were conducted jointly with BSD, DSNBFI, PSD, and DFE. Additionally, joint examinations were carried out with SEC and IRCSL, covering 4 Licensed Stockbrokers (SBs) and 3 Licensed Insurance Companies (ICs) in 2024. In addition to these examinations, FIU - Sri Lanka conducted 7 thematic reviews and 132 ML/TF off-site risk assessments throughout the year.

**Figure 3.4**  
**Supervision of Financial Institutions - 2024**

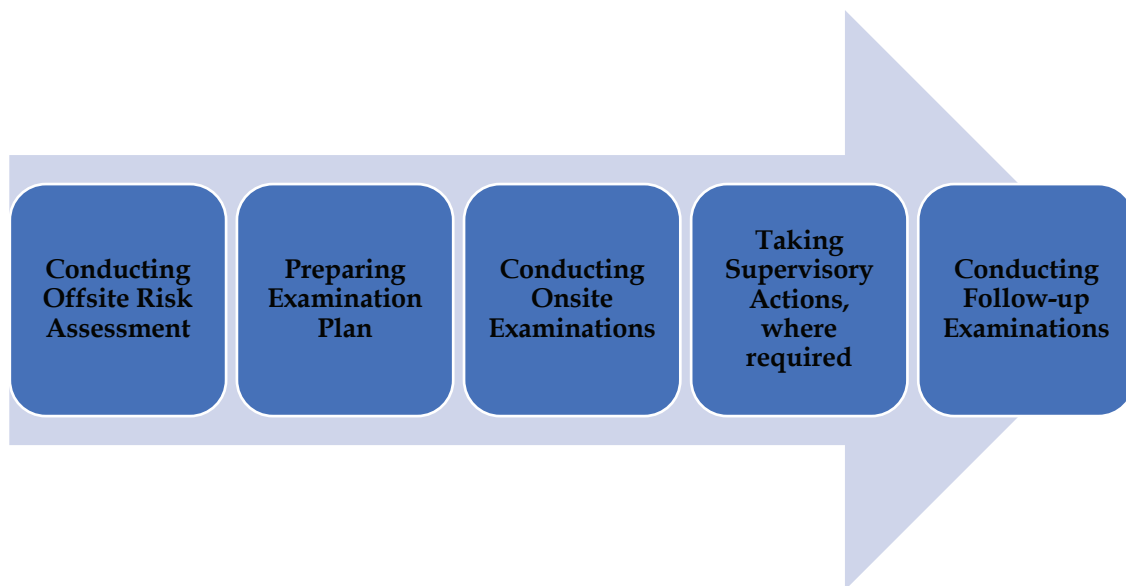


### 3.3.1 Anti Money Laundering/ Countering the Financing of Terrorism Examinations

#### *a. Risk Based Onsite Examinations Process*

Since 2017, FIU - Sri Lanka has implemented an RBA for AML/CFT supervision. This approach enables the efficient allocation of resources based on the risk of the financial sector. ML/TF risk assessment is carried out as the initial step of effective risk based supervision, followed by preparation of the examination plan for the upcoming year. Based on the examination plan, resources are allocated for respective supervisions carried out.

**Figure 3.5**  
**Process of Risk Based Examination of Financial Institutions**



#### *b. On-site Examinations Conducted During 2020-2024*

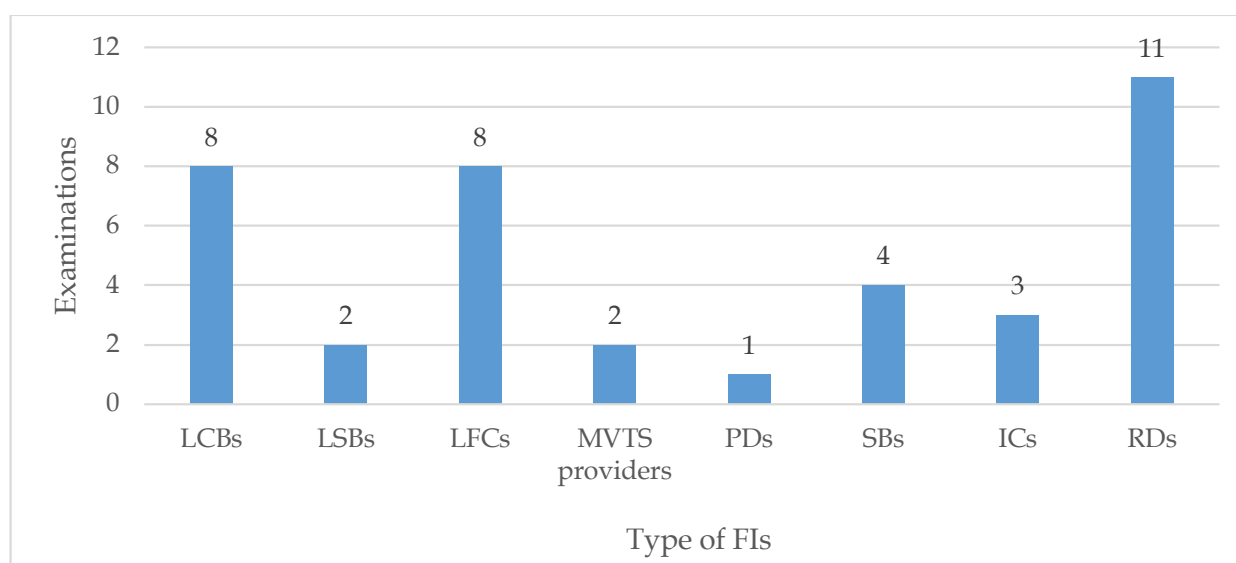
Using the available resources, FIU - Sri Lanka was able to conduct on-site examinations over and above the planned number of examinations for 2024. Accordingly, considering the high risk nature of LBs, LFCs, and MVTs providers, compared to SBs, ICs and PDs, the number of examinations has increased during the year. Further, in 2024, AML/CFT examinations of RDs were commenced in a structured manner jointly with the DFE.

**Table 3.1**  
**Risk Based On-site Examinations Conducted (2020-2024)**

| Type of FI     | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------|------|------|------|------|------|
| LCBs           | 1    | 1    | 12   | 4    | 8    |
| LSBs           | 0    | 0    | 4    | 1    | 2    |
| LFCs           | 6    | 0    | 3    | 5    | 8    |
| MVTS providers | 0    | 1    | 0    | 1    | 2    |
| PDs            | 0    | 0    | 2    | 2    | 1    |
| SBs            | 2    | 3    | 1    | 5    | 4    |
| ICs            | 2    | 0    | 3    | 5    | 3    |
| RDs            | 0    | 0    | 0    | 0    | 11   |
| Total          | 11   | 5    | 25   | 23   | 39   |

*Source: Financial Intelligence Unit – Sri Lanka*

**Figure 3.6**  
**On-site Examinations Conducted by the Type of Reporting Institution - 2024**



***c. Follow up Examinations Conducted During 2020-2024***

Table 3.2 below depicts the number of follow-up examinations conducted by FIU - Sri Lanka during 2020 – 2024.

**Table 3.2**  
**Number of Follow up Examinations Conducted (2020 – 2024)**

| Type of FI | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------|------|------|------|------|------|
| LCBs       | 7    | 2    | 0    | 2    | 2    |
| LSBs       | 0    | 0    | 0    | 0    | 2    |
| LFCs       | 0    | 2    | 0    | 0    | 5    |
| Total      | 7    | 4    | 0    | 2    | 9    |

*Source: Financial Intelligence Unit – Sri Lanka*

In addition to the above risk based on-site examinations and follow-up examinations, 4 on-site spot examinations and 2 off-site spot examinations were conducted during 2024, focusing on the information received from other regulatory departments and other divisions of FIU - Sri Lanka.

***d. Joint Examinations Conducted During 2020-2024***

In accordance with Section 23 of the FTRA, relevant supervisory authorities ensure compliance by all institutions through regular examinations. Since 2018, FIU – Sri Lanka has been providing resources and technical assistance for joint supervisions in the securities and insurance sectors, in alignment with the prudential supervision plans developed by the SEC and the IRC SL. In 2021, FIU - Sri Lanka expanded its collaborative approach and commenced joint supervisions with the BSD and DSNBFI.

In 2024, of the 39 on-site examinations conducted during the year, 32 were carried out in collaboration with sector regulators. In these joint initiatives, FIU - Sri Lanka and the respective RAs contributed resources to effectively implement the AML/CFT supervision plan for the year.

**Table 3.3**  
**Joint Supervisions with Regulators (2020 – 2024)**

| Supervisory Authority | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------|------|------|------|------|------|
| BSD                   | 0    | 4    | 16   | 4    | 7    |
| SNBFI                 | 0    | 0    | 2    | 2    | 5    |
| SEC                   | 2    | 0    | 1    | 5    | 4    |
| IRC SL                | 2    | 3    | 3    | 5    | 3    |
| PSD                   | 0    | 0    | 0    | 0    | 2    |
| DFE                   | 0    | 0    | 0    | 0    | 11   |
| Total                 | 4    | 7    | 22   | 16   | 32   |

*Source: Financial Intelligence Unit – Sri Lanka*

### 3.3.2 Supervisory Actions Taken on Financial Institutions

Upon the completion of an examination, a comprehensive report outlining the scope, findings, and recommended actions, along with a timeline for addressing identified deficiencies, is submitted to the Director of FIU – Sri Lanka. These findings are subsequently communicated to the respective FIs through their regulators.

For joint examinations, FIU - Sri Lanka communicates its observations to the relevant regulatory department through the Director of FIU – Sri Lanka. Additionally, any violations of the FTRA or non-compliance with the Financial Institutions (Customer Due Diligence) Rule, No.01 of 2016 (CDD Rules) issued under the FTRA are identified during such joint examinations, sector regulators will report such instances to the Director of FIU – Sri Lanka for further action.

Accordingly, when enforcement actions, such as warnings, show cause notices, or penalties, are deemed necessary, FIU - Sri Lanka takes the required measures in accordance with Section 19 of the FTRA.

Based on the findings of the examinations, FIU - Sri Lanka takes 3 types of actions:

#### *a. Informing the sector regulators about the findings of the onsite examinations*

If the deficiencies identified during joint examinations are not significant and do not require issuing a Show Cause letter, FIU - Sri Lanka will inform the regulators, who will then communicate the deficiencies to the relevant FI along with an action plan. These action plans are followed up by the sector regulator.

#### *b. Issuing a letter requesting the rectification of deficiencies for standalone examinations conducted by FIU - Sri Lanka*

If the deficiencies are not significant and do not breach the provisions of the FTRA, FIU - Sri Lanka communicates the observations to the Chief Executive Officer (CEO) of the particular FI, and a copy of the same is communicated to the Compliance Officer (CO). The institution is required to rectify the deficiencies immediately or within a stipulated time frame.

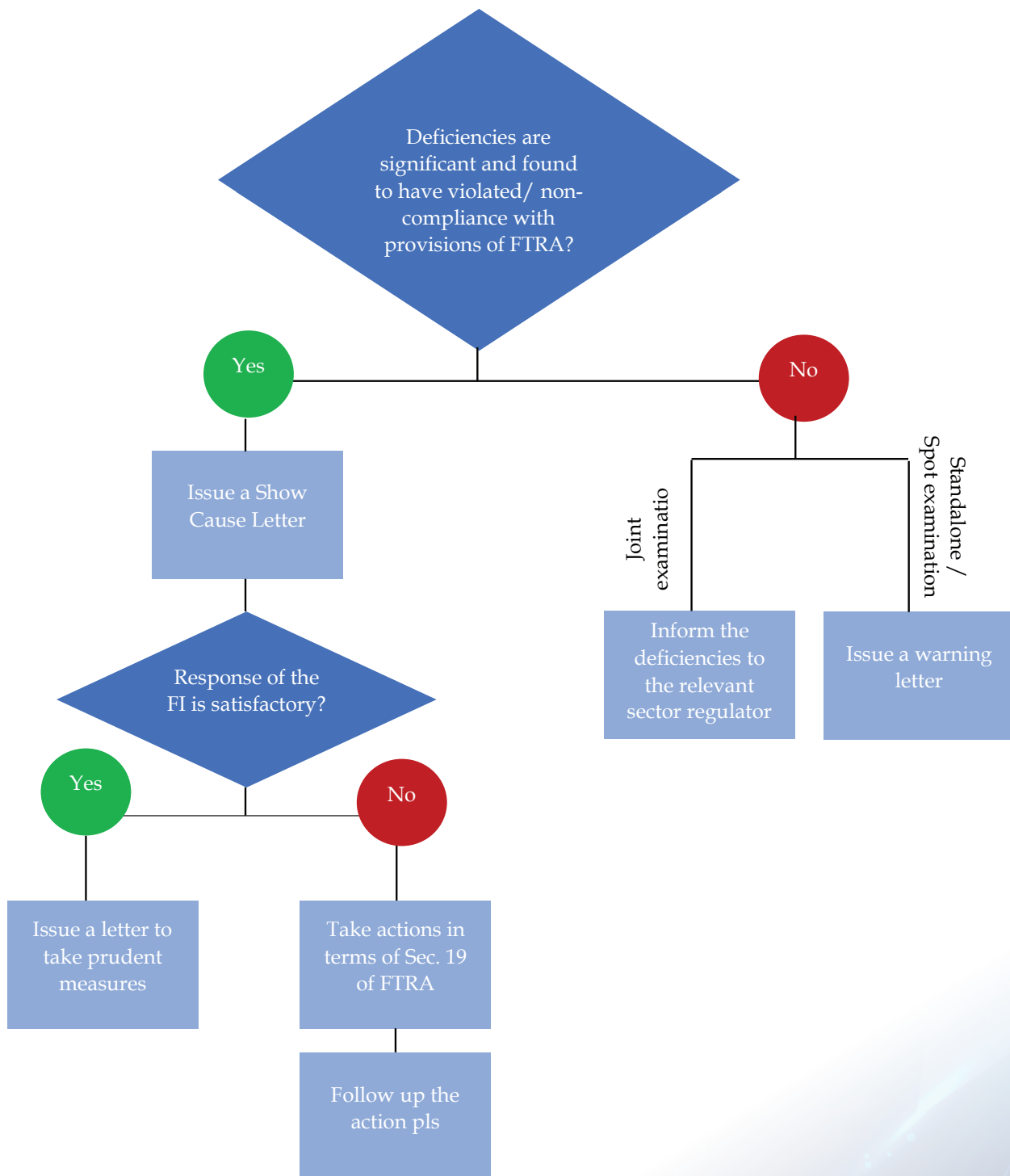
#### *c. Imposing a penalty*

If the deficiencies are significant and involve instances of non-compliance with the provisions of the FTRA, FIU - Sri Lanka issues a Show Cause letter to the CEO, while copying the same to the CO, requesting an explanation for the institution's failure to comply with the FTRA provisions. Based on the response, FIU - Sri Lanka will take necessary actions including proportionate and dissuasive sanctions against FIs that fail to comply with AML/CFT requirements.



Figure 3.7

Procedure Adopted in Join and Standalone On-site Examinations/ Spot Examinations



**Table 3.4****Regulatory Actions Taken by FIU – Sri Lanka on Financial Institutions (2020-2024)**

| <b>Actions Taken</b>             | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Warning letters Issued           | 17          | 5           | 8           | 16          | 25*         |
| Follow-up warning letters Issued | 4           | 1           | 1           | 0           | 5**         |
| Show Cause letters Issued        | 8           | 5           | 8           | 15          | 9***        |
| Penalties Imposed                | 5           | 7           | 6           | 13          | 6****       |

Source: Financial Intelligence Unit – Sri Lanka

\*3 were issued on examinations conducted in 2023

\*\*2 were issued on examinations conducted in 2023

\*\*\*2 were issued on examinations conducted in 2023

\*\*\*\*2 were imposed on examinations conducted in 2023

In 2024, FIU – Sri Lanka imposed seven monetary penalties, amounting to a total of Rs. 8.5 million.

**Table 3.5****Details of Financial Penalties Imposed by FIU – Sri Lanka (2018 – 2024)**

| <b>Year</b> | <b>Type of FI</b> | <b>Violation</b>  | <b>Amount (Rs.)</b> |
|-------------|-------------------|---|---------------------|
| 2018        | LCB               | Section 2 of the FTRA and CDD Rules for FIs                   | 1,000,000.00        |
|             | 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          |
|             | LFC               | Section 2 of the FTRA and CDD Rules for FIs                   | 4,000,000.00        |
|             | MVTS Providers    | Section 7 of the FTRA   | 500,000.00          |
|             | Total             | 8,500,000.00  |                     |
| 2019        | LCB               | Rule 47 (c), Rule 59 (b) and Rule 95 of the CDD Rules for FIs | 3,000,000.00        |
|             | LCB               | Section 6 of the FTRA   | 1,000,000.00        |
|             | LFC               | Rule 95 of the CDD Rules for FIs                              | 1,000,000.00        |
|             | Total             | 5,000,000.00  |                     |
| 2020        | LFC               | Rule 95 of the CDD Rules for FIs                              | 500,000.00          |
|             | LFC               | Rule 95 of the CDD Rules for FIs                              | 500,000.00          |
|             | LFC               | Rule 95 of the CDD Rules for FIs                              | 300,000.00          |
|             | LFC               | Rule 95 of the CDD Rules for FIs                              | 1,000,000.00        |
|             | LFC               | Rule 95 of the CDD Rules for FIs                              | 1,000,000.00        |
|             | <b>Total</b>      |   | <b>3,300,000.00</b> |

|      |                |   |                      |
|------|----------------|---|----------------------|
| 2021 | LCB            | Section 4(4), 14(1), 14(1) (b) (iii), 15 (3) of the FTRA, Rules 7,8,9,10, 27(2) of the CDD Rules for FIs                  | 500,000.00           |
|      | LCB            | Section 5 and 7 of the FTRA, Rules 27, 91, 96, 37, 38, 7, 8, 9, 27 (2) of the CDD Rules for FIs                           | 3,000,000.00         |
|      | LCB            | Rule 95 of the CDD Rules for FIs  | 2,000,000.00         |
|      | LCB            | Section 5(b), 14 (1) (b) (iii), 15 (3) of the FTRA, Rules 7,8,9,10, 27(2) of the CDD Rules for FIs                        | 1,000,000.00         |
|      | LFC            | Rule 95 of the CDD Rules for FIs  | 1,000,000.00         |
|      | LFC            | Rule 95 of the CDD Rules for FIs  | 1,000,000.00         |
|      | LFC            | Rule 95 of the CDD Rules for FIs  | 500,000.00           |
|      | LFC            | Rule 95 of the CDD Rules for FIs  | 1,000,000.00         |
|      | LFC            | Rule 95 of the CDD Rules for FIs  | 500,000.00           |
|      | <b>Total</b>   |   | <b>10,500,000.00</b> |
| 2022 | LCB            | Section 9 (1) of the FTRA   | 1,000,000.00         |
|      | LCB            | Rule 95 of the CDD Rules for FIs  | 2,000,000.00         |
|      | LCB            | Section 2, 5 (b), 6 and 14 (1) (b) (iii) of the FTRA and Rules 7, 8, 9, 10 and 27(2) of the CDD Rules for FIs             | 4,000,000.00         |
|      | LCB            | Rule 95 of the CDD Rules for FIs  | 3,000,000.00         |
|      | LCB            | Section 2, 5 (b), 6 and 14 Page 3 of 3 (1) (b) (iii) of the FTRA and Rules 7, 8, 9, 10 and 27(2) of the CDD Rules for FIs | 1,000,000.00         |
|      | LSB            | Rule 95 of the CDD Rules for FIs  | 750,000.00           |
|      | <b>Total</b>   |   | <b>11,750,000.00</b> |
| 2023 | LCB            | Section 7 of the FTRA   | 1,000,000.00         |
|      | LCB            | Section 7 of the FTRA   | 1,000,000.00         |
|      | LCB            | Section 7 of the FTRA   | 1,000,000.00         |
|      | LCB            | Rule 95 of the CDD Rules for FIs  | 1,000,000.00         |
|      | LCB            | Rules 95 and 59 of the CDD Rules for FIs  | 7,000,000.00         |
|      | LCB            | Rules 95 and 59 of the CDD Rules for FIs  | 6,000,000.00         |
|      | LSB            | Rule 95 of the CDD Rules for FIs  | 1,000,000.00         |
|      | LSB            | Section 6 of the FTRA   | 500,000.00           |
|      | LFC            | Section 6 of the FTRA   | 300,000.00           |
|      | LFC            | Section 6 of the FTRA   | 200,000.00           |
|      | LFC            | Section 6 of the FTRA   | 700,000.00           |
|      | LFC            | Section 6 of the FTRA   | 500,000.00           |
|      | MVTS Providers | Rules 85 and 86 of the CDD Rules for FIs  | 1,000,000.00         |
|      | <b>Total</b>   |   | <b>21,200,000.00</b> |
| 2024 | LCB            | Customer Due Diligence (CDD)  | 1,000,000.00         |
|      | LCB            | Rule 95 of the CDD Rules for FIs and CDD  | 2,000,000.00         |

|              |                                  |                     |
|--------------|----------------------------------|---------------------|
| LCB          | Section 6 of the FTRA            | 1,000,000.00        |
| LCB          | Section 6 of the FTRA            | 1,000,000.00        |
| G&J          | CDD                              | 750,000.00          |
| LCB          | Rule 95 of the CDD Rules for FIs | 2,000,000.00        |
| IC           | Rule 95 of the CDD Rules for FIs | 1,000,000.00        |
| <b>Total</b> |                                  | <b>8,750,000.00</b> |

*Source: Financial Intelligence Unit – Sri Lanka*

### 3.3.3 Conducting Follow-up Meetings with Financial Institutions

FIU-Sri Lanka conducts meetings with FIs after imposing a penalty to discuss whether the deficiencies identified in the examinations have been rectified.

**Table 3.6**  
**Follow-up Meetings with Financial Institutions (2020 – 2024)**

| Type of FI | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------|------|------|------|------|------|
| LCBs       | 0    | 3    | 3    | 5    | 4    |
| LSBs       | 0    | 0    | 0    | 0    | 0    |
| LFCs       | 0    | 0    | 0    | 4    | 0    |
| MVTS       | 0    | 0    | 0    | 1    | 1    |
| Total      | 0    | 3    | 3    | 10   | 5    |

*Source: Financial Intelligence Unit – Sri Lanka*

### 3.3.4 Thematic Reviews Conducted During 2024

As part of its regulatory mandate, FIU - Sri Lanka has established procedures to conduct thematic reviews to assess compliance with AML/CFT regulations. These reviews are undertaken as and when required in response to emerging trends, risks, or vulnerabilities identified within specific sectors, such as evolving ML techniques or weaknesses in financial systems.

Additionally, changes in AML/CFT regulations or international standards may necessitate thematic reviews to ensure that regulated entities effectively implement new requirements. FIU - Sri Lanka identifies sectors for thematic reviews based on supervisory priorities, particularly those with a high risk of ML/TF activities.

Table 3.7 below presents the thematic reviews conducted by FIU - Sri Lanka from 2020 to 2024. As RDs have commenced complying with AML/CFT requirements from 2024, 2 thematic reviews for RDs have been initiated to identify entities requiring additional support to enhance compliance.

**Table 3.7**  
**Thematic Reviews Conducted (2020 – 2024)**

| Year | Area of the Thematic Review  | Type of FIs Covered |
|------|--|---------------------|
| 2020 | Screening, monitoring of customer transactions and Enhanced Due Diligence (EDD) of Politically Exposed Persons (PEPs)  | LFCs                |
|      | Identification of Virtual Asset Service Providers (VASPs) in Sri Lanka   | LCBs, LSBs, LFCs    |
|      | Off-line debit card transactions   | Selected banks      |
| 2021 | Details of branches, procedures on identification and reporting of suspicious transactions of local branches open for serving customers outside normal working days/ normal operating hours and details of Automated Teller Machines (ATM)/Cash Recycle Machines (CRMs)/Cash Deposit Machines (CDMs) | LCBs, LSBs, LFCs    |
|      | Screening, monitoring of customer transactions and EDD of PEPs   | LCBs, LSBs          |
|      | Database Integration with AML/CFT system and digital online platforms of LBs and LFCs  | LCBs, LSBs, LFCs    |
|      | Responsibilities of Board of Directors (BOD) of LBs and LFCs towards AML/CFT   | LCBs, LSBs, LFCs    |
|      | ATM withdrawals  | Selected banks      |
|      |  |                     |
| 2022 | Questionnaire for thematic review on red flag indicators of Informal Money or Value Transfer Services (IMVTS) of LBs   | LCBs, LSBs          |
|      | ML/TF risk assessment questionnaire to MVTS Providers  | MVTS Providers      |
|      | Questionnaire for thematic review on PEPs and Ultimate Beneficial Ownerships (UBOs) for LBs and LFCs   | LCBs, LSBs, LFCs    |
|      | Thematic review on CDM/CRM transactions  | LCBs, LSBs          |
| 2023 | A short questionnaire on TBML  | LCBs                |
|      | Thematic review on compliance function, transaction monitoring and Targeted Financial Sanctions (TFS)  | ICs, SBs            |



|      |  |                                       |
|------|--|---------------------------------------|
|      | Thematic review on pawning/ gold loan and pawning auction transactions of LFCs             | LFCs                                  |
|      | Short questionnaire on MVTs  | MVTs                                  |
| 2024 | Online services provided by the Department of Registration of Persons (DRP)                | LCBs, LSBs, LFCs. MVTs                |
|      | A Short questionnaire on Transaction Monitoring Systems (TMS) Deployed by LBs in Sri Lanka | LCBs, LSBs                            |
|      | Offsite ML/TF risk assessment of RDs   | RDs                                   |
|      | Thematic review on transactions related to drug trafficking                                | LCBs, LSBs, LFCs. MVTs, ICs, SBs, PDs |
|      | Short questionnaire on TBML  | LCBs                                  |
|      | Thematic review on CDD   | RDs                                   |
|      | Thematic review on institutional ML/TF risk assessment                                     | LCBs, LSBs, LFCs. MVTs, ICs, SBs, PDs |

## **Bridging Innovation and Security: The Need for Strong Regulation in Virtual Asset Markets**

### **Background**

With advancements in technology, Virtual Assets (VAs) have gained a significant place in the financial system, becoming increasingly popular due to their convenience and innovative features. However, certain inherent characteristics such as anonymity and non-traceability have also made them attractive to criminals. Considering these risks, the Financial Action Task Force (FATF) has emphasised the importance of a regulatory framework to oversee VAs and Virtual Asset Service Providers (VASPs). Accordingly, the FATF revised Recommendation 15 on new technologies, to include VAs and VASPs within the Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) framework. With this revision, the FATF introduced new terminologies to the FATF glossary, i.e., VAs<sup>1</sup> and VASPs<sup>2</sup>.

### **Requirement of the Financial Action Task Force Relating to Licensing and Registration**

According to the FATF methodology for assessing Technical Compliance of the country's AML/CFT/CPF framework with the FATF recommendations and the effectiveness of AML/CFT/CPF systems as updated in August 2024, countries should ensure that;

- a) VASPs are required to be licensed or registered at a minimum;
  - i. When the VASP is a legal person, in the jurisdiction(s) where it is created; and
  - ii. When the VASP is a natural person, in the jurisdiction where its place of business is located; and

1 "A virtual asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations."

2 "Virtual asset service provider means any natural or legal person who is not covered elsewhere under the Recommendations, and as a business conducts one or more of the following activities or operations for or on behalf of another natural or legal person:

- i. exchange between virtual assets and fiat currencies;
- ii. exchange between one or more forms of virtual assets;
- iii. transfer of virtual assets;
- iv. safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and
- v. participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset."

- b) Competent authorities take the necessary legal or regulatory measures to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in a VASP.

Further, countries should take action to identify natural or legal persons that carry out VASP activities without the requisite license or registration and apply appropriate sanctions to them.

### **Status of Virtual Asset Service Providers Licensing and Registration in Sri Lanka**

In Sri Lanka, the VA ecosystem is currently in the developmental phase. The country is yet to announce its policy stance whether to regulate VAs and VASPs or prohibit. Therefore, Sri Lanka does not have a designated regulatory authority or a licensing/registration procedure for VASPs.

However, there are related legal aspects in the prevailing local context relating to VAs and VASPs.

- The use of VAs for transaction is not explicitly prohibited in Sri Lanka. However, Section 47 of the Central Bank of Sri Lanka Act, No. 16 of 2023 identifies all currency notes and coins issued by the Central Bank of Sri Lanka as the legal tender in Sri Lanka for the payment of any amount.
- Accordingly, VAs are not recognized as legal tender in Sri Lanka.
- In terms of Directions No. 03 of 2021 issued under Foreign Exchange Act, No. 12 of 2017 (FEA Act), issued to Authorised Dealers on Electronic Fund Transfer Cards (EFTCs), EFTCs such as debit/credit cards cannot be used for payments related to transactions done through Virtual Currencies (VCs).
- Also, purchase of VCs using credit/debit cards would lead to a violation of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations, No. 1 of 2021, as VCs are not identified as a permitted investment category in terms of the FEA Act.
- Payment and Settlement Department (PSD) of the Central Bank has issued multiple warnings highlighting the risks associated with VCs;
  - In press releases on April 16, 2018, and April 9, 2021, the public was cautioned about the risks of using VCs.

- In a press release on July 12, 2022, PSD clarified that CBSL has not licensed or authorised any entity to operate VC-related schemes, including cryptocurrencies, Initial Coin Offerings (ICOs), mining operations, or exchanges. The public is urged to exercise caution when engaging with VCs due to the absence of regulatory safeguards.
- In a press release on March 29, 2023, the public was warned about the growing number of financial scams promising high returns on crypto investments.

### **Current Regulatory Gaps and FIU Initiatives in Sri Lanka**

At present, VAs and VASPs are not covered for the AML/CFT requirements to be complied under the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA). Hence, Financial Intelligence Unit of Sri Lanka (FIU - Sri Lanka) is not undertaking any measures to supervise VASPs in terms of AML/CFT. However, the FIU has taken measures to identify VASPs as a type of institution for AML/CFT purposes under the proposed amendments to the FTRA. Once the amendments to the FTRA are passed by the Parliament and upon introducing the licensing/registration procedure by a state designated mechanism, the FIU will be able to implement the applicable AML/CFT requirements. Even though it is not regulated the FIU has supported investigations of crypto related scams.

### **Benefits of Licensing Virtual Asset Service Providers**

Implementing a regulatory framework for VASPs would provide several economic and social benefits:

- i. **Attracting Investments:** A well-regulated VA sector can encourage foreign direct investments and attract global investors.
- ii. **Economic Growth:** Attracting prospective investors and global players to the VA sector, which will result in the growth in digital financial services and expanding economic activities related to blockchain technology and VAs.
- iii. **Revenue Generation:** Generating additional revenue sources to the government through regulatory fees such as registration fees, licensing fees, and tax revenue.
- iv. **Enhanced Financial Transactions:** Enabling faster, cheaper, and more transparent international transactions, benefiting exporters, importers, and remittance recipients through regulated VAs.

- v. **Crime Prevention:** Preventing the misuse of VAs/VASPs by criminals and terrorist financiers from exploiting the sector for illicit activities.
- vi. **Regulatory Compliance:** Ensuring compliance with international standards and obligations, aligning the country's regulatory framework with global best practices.
- vii. **Consumer Protection:** A licensed VASP can enhance consumer trust by demonstrating a commitment to regulatory compliance and consumer protection. Clients are more likely to engage with licensed providers, knowing they are operating under the scrutiny of regulators who prioritise market integrity and consumer protection.
- viii. **Business Stability:** A clear legal framework provides VASPs with operational guidelines, minimising the risk of legal repercussions and fostering a stable business environment.

## Conclusion

The registration and licensing of VAs and VASPs are essential for creating a secure and trusted virtual asset ecosystem. By establishing a regulatory framework that safeguards consumers and ensures market integrity, Sri Lanka can encourage innovation while mitigating financial risks. As the sector evolves, collaboration between regulators and industry stakeholders will be crucial in shaping the future of digital finance. To ensure compliance with international standards and safeguard consumer protection, it has become essential to either regulate or prohibit the VA and VASP sector in Sri Lanka. This necessity is further underscored by the upcoming Mutual Evaluation, scheduled to commence in March 2026, coordinated by the Asia-Pacific Group on Money Laundering.

## References:

1. FATF (2012-2025), International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, FATF, Paris, France
2. FATF (2024), Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems, FATF, Paris



## 3.4 Supervision of Designated Non-Finance Businesses and Professions

### 3.4.1 Introduction

According to Section 33 of the FTRA, DNFBPs fall under the definition of “Institutions” and are therefore required to adhere to the provisions of the FTRA. Currently, FIU - Sri Lanka supervises DNFBPs in Sri Lanka, including casinos, real estate agents, dealers in precious metals and stones (such as Gem & Jewellery traders), lawyers, notaries, other independent legal professionals, accountants, and trust or company service providers (TCSPs). Under Section 15(1)(e), in conjunction with Section 18 of the FTRA, FIU - Sri Lanka is authorised to conduct both onsite and offsite supervision to ensure compliance with the Rules, Regulations, and Guidelines established under the FTRA.

In 2024, FIU - Sri Lanka continued onboarding new institutions operating as DNFBPs, and the institutions appointed COs as per the requirement under the FTRA. New institutions were identified through various sources, including newspaper advertisements, regulatory and association registrations, and lists obtained from the Central Bank regional offices. Consequently, FIU - Sri Lanka officers contacted a significant number of entities throughout the year to identify new DNFBPs and inform them of the requirement to appoint a CO. Table 3.8 below presents the number of institutions that had appointed COs as of December 31, 2024.

**Table 3.8**  
**Number of Compliance Officers Appointed by the DNFBPs as at 31.12.2024**

| Sector               | Institutions that have appointed Compliance Officers |
|----------------------|--|
| Casino               | 3  |
| Real Estate          | 174  |
| Gem and Jewellery    | 308  |
| Lawyers and Notaries | 17   |
| TCSPs                | 10   |
| Accountants          | 11   |
| <b>Total</b>         | <b>523</b>   |

*Source: Financial Intelligence Unit – Sri Lanka*

### 3.4.2 Risk-Based Supervision of DNFBPs

FIU - Sri Lanka has been continuously enhancing the AML/CFT supervision of DNFBPs since the issuance of Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018 (CDD Rules) for DNFBPs in 2018. Initial efforts focused on strengthening the AML/CFT framework for 3 high-risk sectors: casinos, real estate sector, and Gem & Jewellery dealers. In 2019, FIU - Sri Lanka adopted an RBA to DNFBP supervision, alongside regular awareness and outreach programmes to promote compliance across the sector.

With the issuance of guidelines for accountants and TCSPs in 2020, and for lawyers and notaries in 2023, FIU - Sri Lanka took significant steps to expand its supervisory scope in 2024.

### 3.4.3 Off-site ML/TF Risk Assessment of DNFBPs

The annual off-site ML/TF risk assessment was carried out in December 2024, covering casinos, real estate agents, G & J dealers, lawyers and notaries, accountants, and TCSPs using the risk assessment tool developed by the IMF in 2018. Information related to inherent risk and risk mitigating measures were collected through a questionnaire which was circulated by FIU – Sri Lanka.

Despite several reminders, extensions of the deadline, and follow-up calls to the institutions, the number of responses was significantly low. This was mainly due to the informal nature of DNFBPs which lead to a lack of formal record keeping practices, making it challenging to gather and submit required information.

Based on the responses received for the AML/CFT questionnaire, FIU – Sri Lanka conducted the offsite risk assessment in order to identify the risk level of DNFBPs and these institutions were rated according to the total risk score on the basis given in Table 3.9.

**Table 3.9**  
**Risk Categorisation of DNFBPs Based on Offsite Risk Assessment - 2024**

| Risk Score/Percentage | Risk Categorization | DNFBP Sector |           |             |             |          |                      |
|-----------------------|---------------------|--------------|-----------|-------------|-------------|----------|----------------------|
|                       |                     | Casino       | G&J       | Real Estate | Accountants | TCSP     | Lawyers and Notaries |
| Above 70%             | High                | 0            | 3         | 0           | 1           | 0        | 1                    |
| Inclusive of 56% -70% | Medium High         | 0            | 8         | 7           | 2           | 2        | 1                    |
| Inclusive of 46% -55% | Medium              | 0            | 7         | 7           | 1           | 0        | 0                    |
| Inclusive of 39% -45% | Medium Low          | 2            | 3         | 2           | 0           | 0        | 0                    |
| Below 39%             | Low                 | 1            | 3         | 0           | 0           | 0        | 0                    |
| <b>Total</b>          |                     | <b>3</b>     | <b>24</b> | <b>16</b>   | <b>4</b>    | <b>2</b> | <b>2</b>             |

*Source: Financial Intelligence Unit – Sri Lanka*

Accordingly, 3 G&J dealers, 1 accountant and 1 representing lawyers and notaries sector were rated as high-risk institutions and most of the DNFBPs fell within the medium high and

medium risk range as indicated above. The onsite supervision plan for 2025 was prepared based on the risk levels depicted above.

### 3.4.4 Conducting On-site Examinations

The number of onsite examinations conducted during the period from 2020 to 2024 is presented in Table 3.10 below. Accordingly, the number of examinations for the year 2024 has increased considerably due to the addition of 2 officers to the division's staff during the year.

**Table 3.10**  
**Number of On-site Examinations Conducted (2020-2024)**

| Sector                    | On-site Examinations |          |           |          |           |
|---------------------------|----------------------|----------|-----------|----------|-----------|
|                           | 2020                 | 2021**   | 2022      | 2023***  | 2024      |
| Casino                    | 0                    | 0        | 0         | 0        | 3         |
| Real Estate               | 9*                   | 0        | 9         | 3        | 7         |
| G&J                       | 9*                   | 0        | 8         | 4        | 10        |
| Lawyers and Noteries      | 0                    | 0        | 0         | 0        | 2         |
| Accountants               | 0                    | 0        | 0         | 0        | 2         |
| TCSPs                     | 0                    | 0        | 0         | 0        | 2         |
| <b>Total Examinations</b> | <b>18</b>            | <b>-</b> | <b>17</b> | <b>7</b> | <b>26</b> |

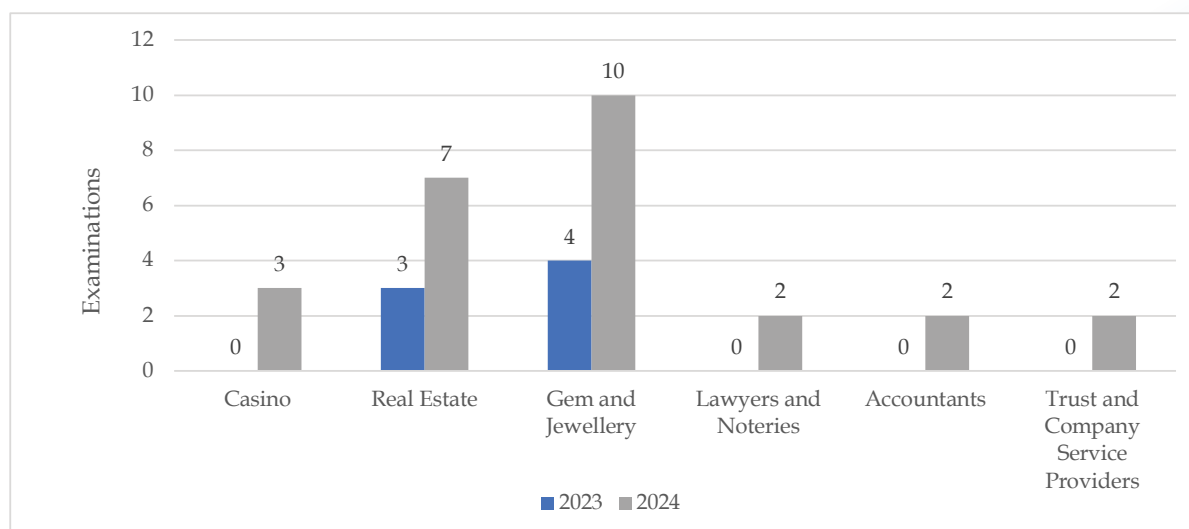
Source: Financial Intelligence Unit – Sri Lanka

\* Includes follow-up examinations conducted for the year as well.

\*\* No examinations were conducted as planned due to the COVID-19 pandemic situation prevailed in the country. Instead, 2 off-site thematic review assessments were conducted during 2021 to ensure the DNFBPs' compliance with AML/CFT obligations.

\*\*\* A comparatively low number of onsite examinations were conducted due to the decrease in resources allocated to the DNFBP sector.

**Figure 3.8**  
**Onsite Examinations Conducted (2023 – 2024)**



### 3.4.5 Off-site Thematic Review Questionnaires on DNFBPs During 2024

In 2024, 5 off-site thematic reviews were conducted, covering 5 sectors. By conducting these reviews, FIU - Sri Lanka was able to identify the level of understanding across the 5 sectors under the DNFBPs regarding the international requirement to screen customers against the designated lists issued by the United Nations Security Council Regulations (UNSCRs) and the Ministry of Defence (MOD), Sri Lanka.

Accordingly, FIU - Sri Lanka developed an in-house tool to screen customers during onboarding and to check the existing customer databases of institutions. This tool was distributed to DNFBPs during the awareness sessions.

### 3.4.6 Other Measures to Strengthen AML/CFT Regime of DNFBPs

#### *a. Introducing a Regulatory Environment for the Real Estate Sector*

FIU - Sri Lanka collaborated with Construction Industry Development Authority (CIDA) and the Ministry of Urban Development and Housing to expedite the process of introducing a regulatory environment for the real estate sector. Accordingly, a task force was established to continue the coordination and establishment of a regulatory authority for the real estate sector.

#### *b. Appointment of Compliance Officers*

As an outcome of the awarenesses conducted, the number of compliance officers of real estate, G&J, lawyers and notaries, and accountants and TCSPs were increased from the year 2023 to 2024.

#### *c. Coordinating with Sector Regulatory Bodies*

The officials of FIU - Sri Lanka held continuous dialogue with the officials of the following regulatory bodies in reaching out to the relevant DNFBP sectors, identifying new Institutions, and introducing AML/CFT measures.

- CIDA
- National Gem and Jewellery Authority (NGJA)
- Registrar of Companies (ROC)
- Institute of Chartered Accountants of Sri Lanka (ICASL)
- Bar Association of Sri Lanka (BASL)

#### *d. Market Awareness and Capacity*

FIU - Sri Lanka conducted 4 awareness sessions during 2024. Further, meetings with the officials of CIDA, Ministry of Urban Development and Housing, ICASL, NGJA and BASL on AML/CFT were conducted during the year.

**Table 3.11**  
**Awareness Sessions Conducted for the Sectors of DNFBPs - 2024**

|  | Casino | G&J | Real Estate Agents | Lawyers and Notaries | Accountants | TCSPs |
|--|--------|-----|--------------------|----------------------|-------------|-------|
| Number of awareness programmes conducted | 1      | 3   | 1                  | 4                    | 1           | 1     |

*Source: Financial Intelligence Unit – Sri Lanka*



## **Money Laundering and Terrorist Financing Risk Management with regard to Dealers in Precious Metals and Dealers in the Precious and Semi-Precious Stones Sector**

### **Introduction**

The global effort to combat Money Laundering and Financing of Terrorism (ML/TF) has led to increased scrutiny of various sectors that may be vulnerable to illicit activities. The Dealers in Precious Metals and Dealers in Precious and Semi-Precious Stones Sector (DPMS) has been identified by the Financial Action Task Force (FATF) as a sector that could be exploited for ML/TF activities. Accordingly, countries are urged to identify, assess, understand, and manage ML/TF risks emanating within this sector.

In response to the global call, Sri Lanka has incorporated these requirements into its AML/CFT legal framework through the Financial Transaction Reporting Act, No. 6 of 2006 (FTRA) and the Rules and Regulations issued thereunder. To identify, assess, understand, and manage ML/TF risks within all sectors of Sri Lanka, the National Risk Assessment<sup>1</sup> (NRA) for 2021/22 was conducted, providing a comprehensive evaluation of the risks associated with ML/TF across the sectors including DPMS sector.

According to the 2014 NRA for Sri Lanka, the DPMS sector was assessed as having a moderate to high risk in terms of vulnerability to ML/TF. The 2021/22 NRA concluded that the DPMS sector is exposed to a “Medium” level of ML/TF risk. The findings from both NRA reports emphasized that, while the sector is regulated by the National Gem and Jewellery Authority (NGJA) under the NGJA Act, No. 50 of 1993, challenges persist in meeting AML/CFT compliance requirements.

### **Reasons for Vulnerability**

The vulnerability of the DPMS sector to financial crimes such as ML/TF can be attributed to several key factors:

- i. **Cash Based Transactions:** A significant proportion of DPMS businesses engage in cash transactions, particularly in regions like Colombo, Kandy, Beruwala, Ratnapura, and Galle. While cash transactions exceeding USD 15,000 are to be

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<sup>1</sup> The first NRA conducted in 2014, which laid the groundwork for assessing risks in different industries, including the Dealers in Precious Metals and Dealers in Precious and Semi-Precious Stones Sector (DPMS).

reported, many dealers struggle to comply due to lack of automated monitoring systems. The reliance on cash makes it difficult to trace transactions, thereby creating a prime environment for illegal activities.

- ii. **Family Owned Businesses and Traditional Practices:** Many businesses in the DPMS sector are family owned and rely on traditional management methods, such as maintaining manual records. This reliance on outdated processes impedes compliance with AML/CFT standards. The limited use of modern technology also reduces the ability to monitor and report suspicious activities effectively.
- iii. **High Risk Customers:** The customer base of DPMS businesses includes high net worth individuals, politically exposed persons, and repeat clients with longstanding personal relationships. This presents a challenge in monitoring and detecting suspicious activity, as personal relationships may mask the true nature of financial transactions.
- iv. **Lack of Knowledge and Awareness:** Many smaller businesses in the sector, particularly family run operations, lack adequate knowledge about financial crime prevention. Employees are often unaware of the significance of adhering to AML/CFT regulations, and without proper training, they may fail to identify red flags for ML/TF. This leads to underreporting of suspicious transactions and weak internal controls at Institutional level.

### **Regulatory Requirements**

The DPMS sector in Sri Lanka is governed by a combination of local laws, regulations, and guidelines aimed at preventing money laundering and terrorist financing. The FTRA and Regulations and Guidelines issued thereunder and the Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018 are critical components of the legal framework for businesses in the DPMS sector.

FIU Sri Lanka also plays a central role in overseeing compliance within the sector. FIU Sri Lanka conducts outreach and training to ensure that businesses understand their obligations, but gaps in awareness and implementation remain.

Furthermore, the NGJA Act, No.50 of 1993 provides the framework for regulating the DPMS sector by the NGJA as the regulator.

## Challenges

Several challenges continue to hamper the DPMS sector's ability to comply with AML/CFT regulations:

- i. **Fit and Proper Requirement:** A key challenge in the DPMC sector is ensuring that license holders meet the "Fit and Proper" standards, which are crucial during both new license grants and renewals. Inadequate assessment of these standards can lead to unqualified license holders managing sensitive financial transactions.
- ii. **Manual Processes:** A large portion of businesses in the sector still rely on manual record keeping, which hinders efficient monitoring and reporting of transactions.
- iii. **Cash Dependency:** Despite regulations requiring the reporting of large cash transactions, cash remains a primary method of conducting business, especially in regions with less oversight.
- iv. **Technological Gaps:** The lack of investment in effective transaction monitoring systems, as well as limited use of digital payment platforms, complicates efforts to track and report suspicious activities.
- v. **Training Deficiencies:** Many businesses, particularly smaller family-run establishments, lack proper training on AML/CFT regulations. This results in poor internal controls, failure to detect red flags, and underreporting of suspicious transactions.
- vi. **Weak Enforcement:** Despite regulatory frameworks, enforcement remains weak, particularly in rural areas where businesses may evade scrutiny. The low number of STRs filed indicates that the existing AML/CFT framework may not be functioning as effectively as needed.

## Way Forward

To address these challenges and mitigate the risks of money laundering and terrorist financing on DPMS sector, several strategic measures need to be implemented:

- i. **Adopt effective Transaction Monitoring Systems:** DPMS businesses should prioritise the implementation of effective systems for transaction monitoring and reporting. These systems would provide real-time analysis, reducing reliance on manual processes and improving compliance with AML/CFT regulations.
- ii. **Enhance Employee Training:** Regular and comprehensive training programmes should be conducted to improve awareness and understanding of financial

crime risks. Training should focus on the importance of reporting suspicious transactions, recognising red flags, and adhering to regulatory requirements.

- iii. **Encourage Digital Transactions:** Businesses should be encouraged to adopt digital payment systems and online sales platforms. This would not only increase transparency but also streamline customer verification processes, reducing anonymity and facilitating easy monitoring of transactions.
- iv. **Stronger Regulatory Oversight:** Regulatory authorities must increase their presence, especially in rural areas, through more frequent inspections, audits, and training sessions. More strict enforcement of the NGJA Act, including penalties and license cancellations for non-compliance, will encourage businesses to file STRs and adhere to regulations.
- v. **Coordination with the NGJA:** The way forward involves stronger coordination between businesses in the DPMS sector and NGJA to ensure that regulatory measures are followed. This collaboration will facilitate the sharing of best practices, streamline compliance efforts, and improve overall sector integrity.
- vi. **Stringent operational oversight:** To ensure full regulatory compliance, businesses in the DPMS sector must strengthen oversight of operational activities, particularly those related to import and export transactions. This includes rigorous monitoring of shipments, accurate valuation of gems and jewellery, and strict adherence to customs procedures.

## Conclusion

The DPMS sector is a key component of Sri Lanka's economy, but its exposure to ML/TF risks necessitates urgent attention and action. By adopting automated monitoring systems, enhancing employee training, encouraging digital transactions, and strengthening regulatory oversight and operational oversight, the sector can significantly reduce its vulnerabilities to financial crime. With improved compliance and enforcement, the DPMS sector can help protect Sri Lanka's financial integrity while contributing to global efforts to prevent ML/TF.

In conclusion, a strong collective effort is required from businesses, regulatory authorities, and the NGJA to ensure that the sector can overcome its challenges and fulfill its role in a transparent, accountable, and compliant manner, while safeguarding one of the traditional sectors in Sri Lanka.

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### 4.1 Introduction

In 2024, FIU - Sri Lanka continued to prioritise capacity building through active participation of its staff in 19 international and 27 local training programmes. These learning opportunities, facilitated primarily by the Centre for Banking Studies (CBS) for local sessions, and supported by the FATF and APG for international training sessions, significantly broadened the knowledge base of participants. The insights were shared among the stakeholder organisations and effectively integrated into outreach programmes. By actively engaging with relevant authorities, FIU - Sri Lanka improved its staff's understanding of diverse operational landscapes, increasing capacity to apply AML/CFT measures efficiently.

Details of international and local training programmes, seminars, workshops, conferences, and meetings attended by staff of FIU - Sri Lanka are given in Table 4.1 and Table 4.2 below.

### 4.2 International Training Opportunities During 2024

**Table 4.1**

**International Training Programmes, Seminars, Workshops, Conferences, and Meetings Attended by Officers of FIU - Sri Lanka in 2024**

|   | Month   | Training Programme/ Seminar/<br>Workshop/ Conference/ Meetings<br>Attended  | Type     | Institution<br>Organised                  |
|---|---------|---|----------|---|
| 1 | January | Crypto Currency Investigations  | Online   | Binance<br>Investigations<br>Asia-Pacific |
| 2 | January | International Monetary Fund South<br>Asia Regional Training and Technical<br>Assistance Center (IMF - SARTTAC)<br>Training on Enhancing Effectiveness<br>of AML/CFT Frameworks: Evolution<br>of the FATF Standard | Physical | IMF - SARTTAC                             |

|    |         |   |          |   |
|----|---------|---|----------|---|
| 3  | March   | Supervisor Focused FATF Standards Training Course (STC-27-2024-March)   | Physical | FATF  |
| 4  | March   | FATF/ APG Joint Assessor Training   | Physical | FATF and APG  |
| 5  | April   | Binance and Kodex Law Enforcement Training  | Online   | Binance<br>Investigations<br>Asia-Pacific,<br>National Police<br>of Ukraine,<br>Police of Czech<br>Republic |
| 6  | April   | FATF/ APG Joint Assessor Training Next Round Update Course  | Online   | FATF  |
| 7  | May     | Training on Evolution of Democratic People's Republic of Korea (DPRK) Money Laundering Obfuscation Techniques for Cryptocurrency Training               | Physical | Civilian<br>Research and<br>Development<br>Foundation<br>Global   |
| 8  | May     | APG Co-Chair's Priorities - Technical Seminar on Grand Corruption   | Online   | APG   |
| 9  | May     | Anti-Money Laundering for Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Nations                              | Online   | BIMSTEC   |
| 10 | June    | 1 <sup>st</sup> Steering Committee of the Global Convention on Cybercrime Project and 30th Plenary meeting of the Cybercrime Convention Committee (TCY) | Physical | Council of<br>Europe  |
| 11 | July    | BIMSTEC Member Countries on Combating Financing of Terrorism  | Online   | Central<br>Detective<br>Training<br>Institute   |
| 12 | July    | Beneficial Ownership for Tackling Illicit Financial Flows Workshop  | Physical | Asian<br>Development<br>Bank (ADB)  |
| 13 | July    | International Cooperation Review Group Training   | Physical | FATF  |
| 14 | October | APG Mutual Evaluation Assessor Training   | Physical | APG   |

|    |          |   |          |                   |
|----|----------|---|----------|-------------------|
| 15 | November | SEACEN Online Course on Regulation and Supervision of Crypto Assets   | Online   | SEACEN            |
| 16 | November | Workshop on Innovation Finance and 41 <sup>st</sup> Eurasian Group on Combating ML/TF (EAG) Plenary Meeting | Physical | APG / EAG         |
| 17 | December | APG Assessor Training   | Physical | APG               |
| 18 | December | FATF Standards Training Course  | Physical | FATF              |
| 19 | December | TCY Workshop with Service Providers and Industry  | Online   | Council of Europe |

### 4.3 Local Training Opportunities During 2024

**Table 4.2**  
**Local Training Programmes, Seminars, Workshops, Conferences, and Meetings**  
**Attended by Officers of FIU - Sri Lanka in 2024**

|   | <b>Month</b> | <b>Training Programme/ Seminar/ Workshop/ Conference/ Meetings Attended</b>  | <b>Type</b> | <b>Institution Organized</b>                            |
|---|--------------|--|-------------|---|
| 1 | January      | Advanced Cybercrime Investigation Course   | Physical    | United States Department of Justice                     |
| 2 | February     | Workshop on Money Laundering Offences under Promotion of Transparent and Competitive Business Climate in Sri Lanka - Anti Corruption Component Programme | Physical    | Japan International Cooperation Agency Sri Lanka Office |
| 3 | April        | Capacity Development Programme for New Staff Officers  | Physical    | CBS   |
| 4 | May          | Capacity Development Programme for New Staff Officers  | Physical    | CBS   |
| 5 | May          | AML/CFT Compliance for Financial Institutions  | Physical    | CBS   |
| 6 | May          | Macroeconomic Foundation Course for General Inductees of Central Bank of Sri Lanka   | Physical    | SARTTAC   |
| 7 | June         | International Trade  | Physical    | CBS   |

|    |        |  |          |   |
|----|--------|--|----------|---|
| 8  | June   | Wisconsin Project on Nuclear Arms Control Training   | Physical | US Embassy in Sri Lanka and the Wisconsin Project   |
| 9  | June   | Sri Lanka Strategic Trade Forum  | Physical | Department of Import and Export Control, US Export Control and Related Border Security      |
| 10 | July   | Training on Cryptocurrency Investigations Conducted by Binance   | Physical | Binance   |
| 11 | August | Regional International Dual-Use Investigation Workshop   | Physical | US Embassy with the US Defense Threat Reduction Agency and Homeland Security Investigations |
| 12 | August | Financial Crime Programme for Lawyers  | Physical | US Department of Justice and Colombo Law Society  |
| 13 | August | Personal Branding for Professionals  | Physical | CBS   |
| 14 | August | Financial Investigations of Wildlife and Forest Crime  | Physical | UNODC Regional Office for South Asia  |
| 15 | August | Fundamentals Program on Money Laundering for Prosecutors and Investigators                                       | Physical | US Department of Justice and Federal Bureau of Investigation                                |
| 16 | August | Programme on "Building Powerful Presentations Using MS PowerPoint"   | Physical | CBS   |
| 17 | August | Regional Round Table and Systems Analysis Exercise on Mapping Drug Trafficking Networks in the East Indian Ocean | Physical | UNODC   |

|    |           |   |          |  |
|----|-----------|---|----------|--|
| 18 | September | Programme on “Leading Self” for Management Trainees recruited to the Bank in 2024 and Staff Officers (Probation) in Staff Class Grade I - Group 1 | Physical | CBS  |
| 19 | September | Financial Crimes Programme for Lawyers by the US Department of Justice and Colombo Law Society  | Physical | Colombo Law Society  |
| 20 | October   | MS Excel Intermediate Course  | Physical | CBS  |
| 21 | October   | Countering the Financing of Proliferation Workshop  | Physical | Royal United Services Institute for Defence and Security Studies     |
| 22 | October   | Programme on Leading Self for Management Trainees recruited to the Bank in 2024 and Staff Officers (Probation) in Staff Class Grade I - Group 2   | Physical | CBS  |
| 23 | October   | Consultation on Data Sharing for Enhanced Anti-Corruption Efforts   | Physical | CIABOC and UNODC   |
| 24 | November  | Workshop on Best Practices in Export Controls and Sanctions Risk Management   | Physical | US Embassy and Export Control and Border Security Program and Kharon |
| 25 | November  | SEACEN Online Course on Regulation and Supervision of Crypto Assets   | Virtual  | SEACEN Research and Training Center                                  |
| 26 | December  | Next-Gen Banking and Payments: Tech Trends and Data-Driven Culture  | Physical | CBS  |
| 27 | December  | Capacity Development Programme on Tax Crime Investigations and Illicit Financial Flows  | Physical | United Nations Development Programme                                 |



## 5.1 Introduction

FIU - Sri Lanka continued its pursuit of enhancing awareness through seminars, workshops, training programmes, meetings, and press notices on print and electronic media in the 3 main languages to improve the understanding of legal and regulatory measures and the importance of AML/CFT framework. Accordingly, throughout 2024, FIU - Sri Lanka effectively utilised its staff and other training resources with the support received from Association of Compliance Officers of Banks and the Compliance Forum of the Finance Houses Association, to boost awareness among stakeholders. During the year, 52 awareness programmes were carried out, engaging over 3,500 participants representing FIs, DNFBPs, LEAs, and other stakeholders

## 5.2 Seminars and Workshops Organised by FIU – Sri Lanka

**Table 5.1.**

**Awareness Programmes Conducted by FIU – Sri Lanka in 2024**

| Date       | Programme   | Stakeholder                  | Venue           |
|------------|---|------------------------------|-----------------|
| 06.01.2024 | Financial Career Advancement Programme                      | Graduates and undergraduates | In-person (CBS) |
| 10.01.2024 | Capacity Building Workshop on                               |                              |                 |
| 11.01.2024 | Improving the Business-wide                                 |                              |                 |
| 12.01.2024 | ML/TF Risk Assessments of                                   |                              |                 |
| 16.01.2024 | Domestic Banks in Sri Lanka                                 |                              |                 |
|            | conducted by Dr. Ramandeep Chhina, International Consultant |                              |                 |
| 29.01.2024 | (This was conducted by the FIU                              | Officers from LBs            | In-person (CBS) |
| 30.01.2024 | in collaboration with the ADB's                             |                              |                 |
| 31.01.2024 | Trade and Supply Chain Finance                              |                              |                 |
|            | Programme)  |                              |                 |
| 01.02.2024 |   |                              |                 |
| 02.02.2024 |   |                              |                 |
| 24.01.2024 | Best Practices for Bank Tellers                             | Officers from FIs            | In-person (CBS) |

|            |  |  |   |
|------------|--|--|---|
| 13.02.2024 | AML/CFT Compliance of FIs  | Officers from FIs                                  | In-person (CBS)                           |
| 20.02.2024 | Awareness Session on TBML  | Officers from LCBs                                 | In-person (CBSL)                          |
| 29.02.2024 | ML Investigation Programme   | Officers from CID                                  | CID                                       |
| 21.03.2024 | AML/CFT Familiarisation Programme for RDs in Sri Lanka   | Officers from RDs                                  | In-person (CBSL)                          |
| 25.03.2024 | Awareness Programme on TBML and Tax Related Crimes   | Officers of LEAs                                   | In-person (CBS)                           |
| 29.04.2024 | Awareness Session for Company Secretaries in Collaboration with ROC                              | Company Secretaries                                | In-person (ROC)                           |
| 30.04.2024 | Awareness series on Managing Financial Crime Risks in the Financial Services Sector in Sri Lanka | Officers of LBs, LFCs, MVTs                        | In-person (CBS)                           |
| 07.05.2024 | AML/CFT Compliance of FIs  | Officers from FIs                                  | In-person (CBS)                           |
| 15.05.2024 | Awareness session for Corporate Lawyers in Collaboration with Corporate Lawyers Association      | Corporate Lawyers                                  | In-person (CBS)                           |
| 20.05.2024 | Awareness Session for Chartered Accountants in Collaboration with ICASL                          | Chartered Accountants                              | In-person (ICASL)                         |
| 28.05.2024 | Awareness Session for Gem & Jewellery Dealers in Galle in Collaboration with the NGJA            | G & J Dealers                                      | In-person (Hasara Hotel, Galle)           |
| 30.05.2024 | Awareness Session on AML/ CFT and TBML   | Officers from Import and Export Control Department | Import and Export Control Department      |
| 31.05.2024 | Institution-wise AML/CFT Action Plan   | Officers from DFE                                  | In-person (FIU - Sri Lanka)               |
| 04.06.2024 | ML Investigation Programme   | Officers from CID                                  | CID                                       |
| 11.06.2024 | Awareness Session on Developing an IT System to Customer Screening and Fraud Detection           | Stockbrokers                                       | In-person (Colombo Stock Exchange)        |
| 12.06.2024 | Training Session on goAML  | Officers from Bank of China                        | In-person (Colombo Branch, Bank of China) |
| 12.06.2024 | Awareness Session on TBML  | Officers from LCBs                                 | In-person (CBSL)                          |

|            |   |                                       |  |
|------------|---|---------------------------------------|--|
| 26.06.2024 | Awareness Series on Managing Financial Crime Risks in the Financial Services Sector in Sri Lanka  | Officers of LBs, LFCs, MVTs Providers | In-person (CBS)                                  |
| 02.07.2024 | Awareness Session on TFS  | Officers from Sri Lanka Army          | In-person (Army Headquarters, Karadeniya, Galle) |
| 09.07.2024 | AML/CFT Familiarization Programme for RDs in Sri Lanka  | Officers from RDs                     | In-person (CBSL)                                 |
| 18.07.2024 | Awareness series on Managing Financial Crime Risks in the Financial Services Sector in Sri Lanka  | Officers of LBs, LFCs, MVTs Providers | In-person (CBS)                                  |
| 24.07.2024 | Awareness session for Lawyers in Collaboration with the BASL  | Lawyers                               | In-person (BASL)                                 |
| 25.07.2024 | Awareness Series on Managing Financial Crime Risks in the Financial Services Sector in Sri Lanka  | Officers of LBs, LFCs, MVTs           | In-person (CBS)                                  |
| 31.07.2024 | Introduction to Mandatory goAML report validation process and application developed by Financial Data Management Division of FIU – Sri Lanka          | Officers from RIs                     | In-person (CBSL)                                 |
| 03.08.2024 | Awareness Programme on Financial Crime organized by the Conference and Seminar Committee of Colombo Law Society in Collaboration with FIU – Sri Lanka | Lawyers                               | Cinnamon Lakeside, Colombo                       |
| 06.08.2024 | AML/CFT Compliance for FIs  | Officers from FIs                     | In-person (CBS)                                  |
| 08.08.2024 | Awareness Session for Compliance Officers of the Gem & Jewellery sector   | COs from G&J sector                   | In-person (CBS)                                  |
| 08.08.2024 | Awareness Session for the Compliance Officers of the Real Estate Sector   | COs from Real Estate sector           | In-person (CBS)                                  |
| 08.08.2024 | Certificate course on Compliance in Banks   | Officers from FIs                     | In-person (CBS)                                  |

|            |  |   |  |
|------------|--|---|--|
| 16.08.2024 | AML/CFT Industry Awareness Session for SBs   | Officers from SBs                           | In-person (SEC Auditorium)                               |
| 28.08.2024 | Awareness Session on Mastering the Legal and Regulatory Framework Related to FIs                                       | Officers from FIs                           | In-person (CBS)  |
| 11.09.2024 | Awareness Series on Managing Financial Crime Risks in the Financial Services Sector in Sri Lanka                       | Officers of LBs, LFCs, MVTs                 | In-person (CBS)  |
| 12.09.2024 | Awareness programme for the officials of the National Secretariat for Non-Governmental Organisations (NGOs) on AML/CFT | Officers from the NGO Secretariat           | In-person (CBS)  |
| 08.10.2024 | Awareness Session on ML/TF Risk Management for LFCs  | Officers from LFCs                          | In-person (LB Finance Auditorium)                        |
| 11.10.2024 | Awareness Programme for Gem & Jewellery Dealers in Rathnapura area   | G&J Dealers                                 | In-person (Gem Tower, Rathnapura)                        |
| 15.10.2024 | Awareness Series on Managing Financial Crime Risks in the Financial Services Sector in Sri Lanka                       | Officers of LBs, LFCs, MVTs                 | In-person (CBS)  |
| 06.11.2024 | Industry Awareness Session on AML/CFT Compliance Obligations for ICs   | Officers from ICs                           | In-person (IRC SL)                                       |
| 20.11.2024 | Usage of ML/TF Offsite Risk Assessment Tool in Assessing FIs' ML/TF risk   | Officers from Inter Regulatory Departments  | Virtual  |
| 09.12.2024 | AML/CFT Compliance for FIs   | Officers from FIs                           | In-person (CBS)  |
| 11.12.2024 | Annual High-level Conference for BOD and Senior Management of LBs, LFCs, PDs, MVTs                                     | BOD   | In-person (CBSL)   |
| 30.12.2024 | Officer Trainee Programme 2024   | Naval Intelligence Officers, Sri Lanka Navy | In-person (Naval Intelligence School, Thalatuoya, Kandy) |

## 5.3 Depth and Breadth of Awareness Programmes Conducted by FIU – Sri Lanka

**Table 5.2**

**Statistics on Awareness Programmes Conducted by FIU – Sri Lanka (2016-2024)**

| Year | Awareness Programmes | Participants  | Districts Covered  |
|------|----------------------|---------------|--|
| 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, Kilinochchi                                   |
| 2020 | 27                   | 1,978         | Colombo, Galle, Matara and island-wide coverage with online programmes                   |
| 2021 | 65                   | approx. 5,000 | Island-wide coverage with online programmes  |
| 2022 | 25                   | 2,708         | Colombo, Kurunegala, Anuradhapura and island-wide coverage with online programmes        |
| 2023 | 58                   | approx. 3,500 | Colombo and island-wide coverage with online and physical programmes                     |
| 2024 | 52                   | approx. 3,500 | Colombo, Matara, Rathnapura and island-wide coverage with online and physical programmes |

## 5.4 Awareness Through Print and Electronic Media

**Table 5.3**

**Statistics of Awareness through Printed and Electronic Media - 2024**

| Date       | Press Notice   |
|------------|--|
| 27.09.2024 | Press Notice on Customer Due Diligence - (English, Sinhala and Tamil Medium)                     |
| 29.09.2024 | Press Notice on Customer Due Diligence - (English, Sinhala and Tamil Medium)                     |
| 29.09.2024 | Compliance Alert to Non-Financial Businesses and Professions (English, Sinhala and Tamil Medium) |







## 6.1 Introduction

The Financial Data Management Division (FDMD) of FIU – Sri Lanka is responsible for ensuring the optimal management of Information Technology (IT) infrastructure to facilitate effective reporting and analysis.

The goAML system, developed by the UNODC and utilised by over 70 FIUs globally, remains the backbone of FIU - Sri Lanka's IT infrastructure. It supports the receipt of financial reports from RIs, analysis of data by FIU – Sri Lanka, and dissemination of intelligence to LEAs.

In June 2024, FIU – Sri Lanka completed the phased decommissioning of the previous online reporting system, LankaFIN, ensuring a seamless transition for all RIs to goAML. As a result, all reporting is now conducted exclusively through the goAML platform.

Throughout the year, FIU – Sri Lanka significantly enhanced its IT infrastructure by automating key processes, improving data validation, and integrating new data sources. These initiatives have strengthened operational efficiency, improved data quality, and ensured that FIU – Sri Lanka analysts can effectively manage growing reporting volumes. Moving forward, FIU – Sri Lanka aims to further leverage advanced technologies, including Artificial Intelligence and machine learning, to refine analytical processes and enhance intelligence dissemination.

## 6.2 The goAML System Architecture

The goAML system enables RIs, LEAs, and RAs) to submit reports to FIU – Sri Lanka. Reporting obligations include:

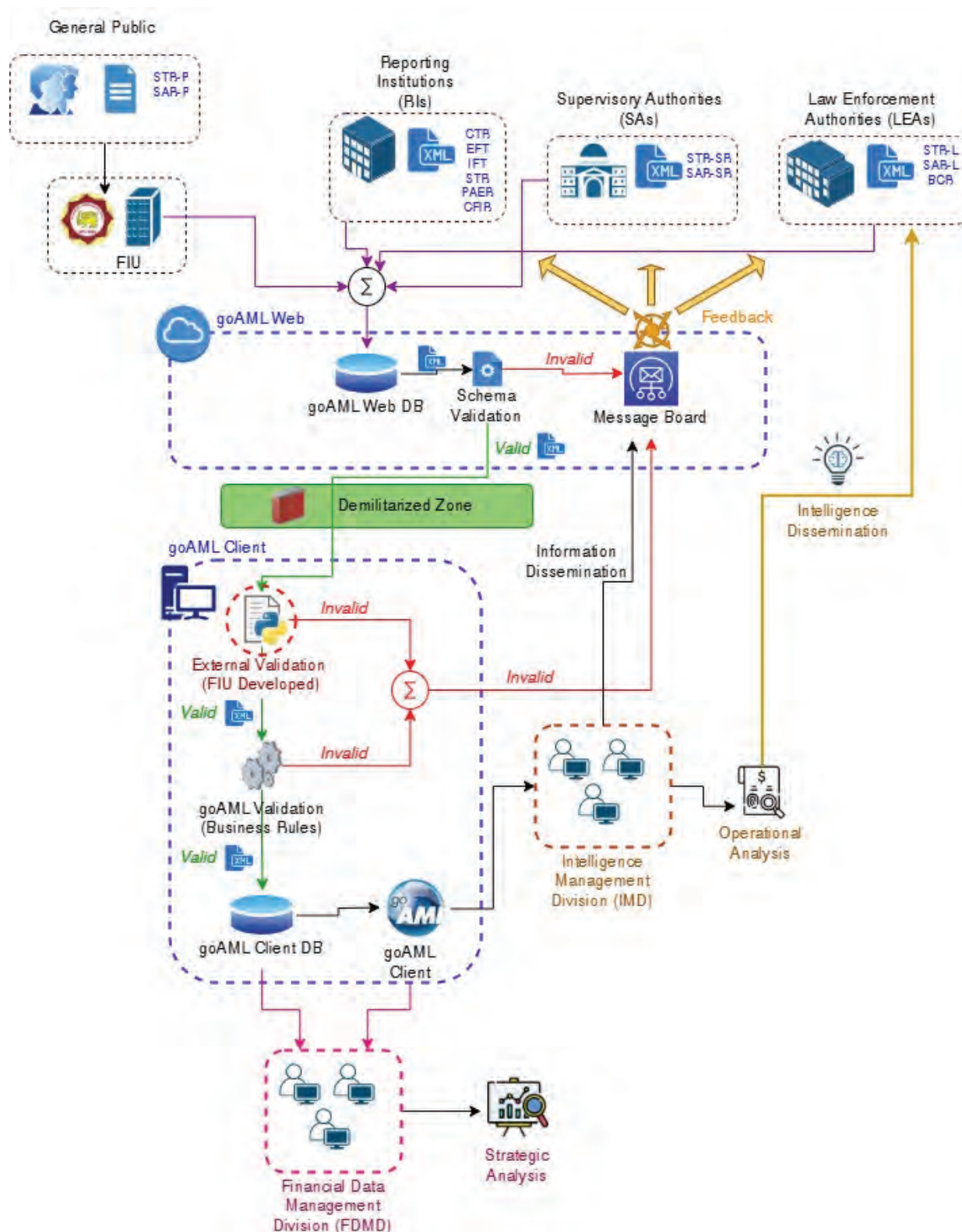
- **RIs:** Mandatory reports such as threshold reports (transactions exceeding Rs. 1 million or its equivalent in any foreign currency), STRs, and responses to FIU – Sri Lanka's Call for Information Requests (CFIR).
- **LEAs and Supervisory Authorities (SAs):** LEA- Information Request Domestic (IRD) and SA - IRD reports, which request intelligence on specific Persons, Accounts, or Entities (PAEs).

All reports are submitted in Extensible Markup Language (XML) format based on the goAML XSD schema. The system employs multistage validation to ensure accuracy, completeness,



and data integrity before storing the reports in the database for further analysis. Reports failing validation are returned to the submitting entities (RIs) for correction and resubmission.

**Figure 6.1**  
**goAML System and Operations**



## 6.3 Threshold Reporting Statistics

Figure 6.2

Number of Threshold Transactions Reported Monthly (2023 - 2024)

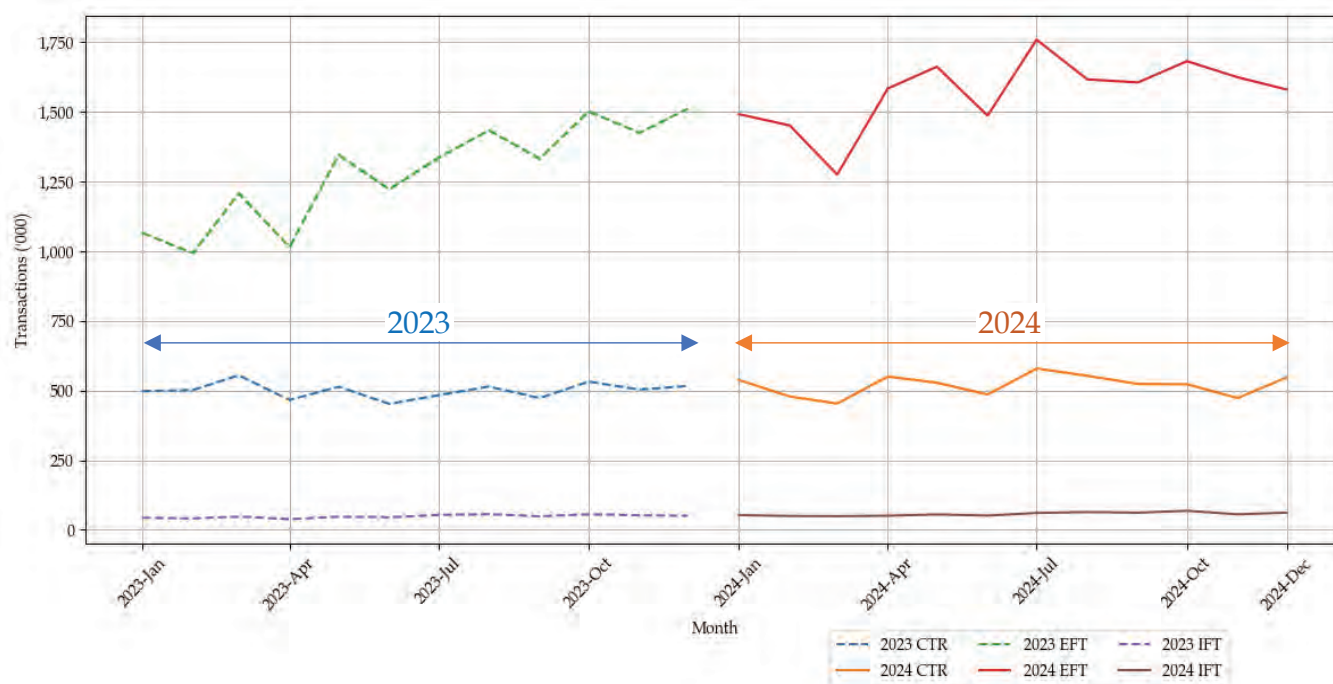


Table 6.1

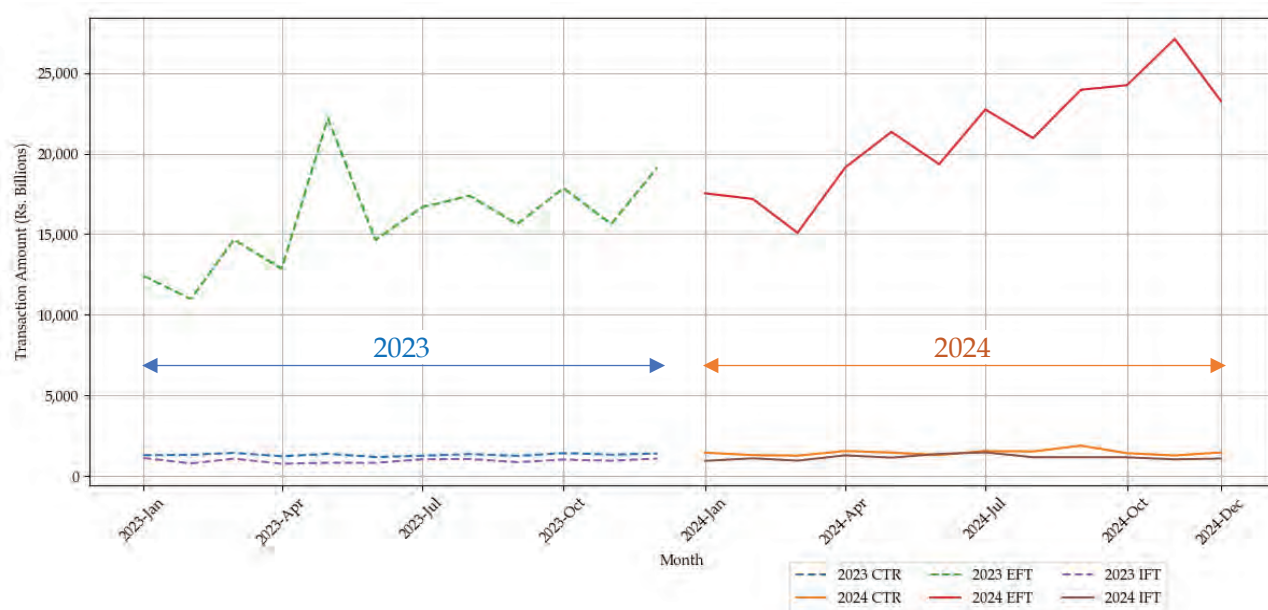
Number of Threshold Transactions Reported Monthly (2023 - 2024)

| 2023     |         |           |        | 2024     |         |           |        |
|----------|---------|-----------|--------|----------|---------|-----------|--------|
| Month    | CTR     | EFT       | IFT    | Month    | CTR     | EFT       | IFT    |
| 2023 Jan | 497,943 | 1,065,607 | 43,214 | 2024 Jan | 537,801 | 1,491,734 | 52,712 |
| 2023 Feb | 501,962 | 992,595   | 41,016 | 2024 Feb | 478,467 | 1,451,364 | 49,788 |
| 2023 Mar | 554,732 | 1,207,850 | 47,635 | 2024 Mar | 453,412 | 1,275,119 | 49,148 |
| 2023 Apr | 465,891 | 1,014,804 | 38,193 | 2024 Apr | 550,186 | 1,584,069 | 50,644 |
| 2023 May | 513,520 | 1,345,723 | 47,121 | 2024 May | 527,888 | 1,662,166 | 55,331 |
| 2023 Jun | 452,090 | 1,222,219 | 44,941 | 2024 Jun | 485,690 | 1,486,681 | 51,186 |
| 2023 Jul | 483,179 | 1,334,969 | 53,422 | 2024 Jul | 579,021 | 1,759,067 | 60,479 |
| 2023 Aug | 514,186 | 1,434,325 | 56,271 | 2024 Aug | 552,842 | 1,616,707 | 63,947 |
| 2023 Sep | 472,989 | 1,331,443 | 48,633 | 2024 Sep | 523,497 | 1,605,771 | 61,617 |
| 2023 Oct | 531,761 | 1,501,896 | 55,888 | 2024 Oct | 522,634 | 1,682,098 | 68,342 |
| 2023 Nov | 503,542 | 1,424,876 | 52,129 | 2024 Nov | 472,847 | 1,624,222 | 55,548 |
| 2023 Dec | 516,368 | 1,511,943 | 50,424 | 2024 Dec | 547,219 | 1,580,327 | 61,675 |

Source: Financial Intelligence Unit – Sri Lanka



**Figure 6.3**  
**Monthly Value of Threshold Transactions Reported (2023 – 2024)**



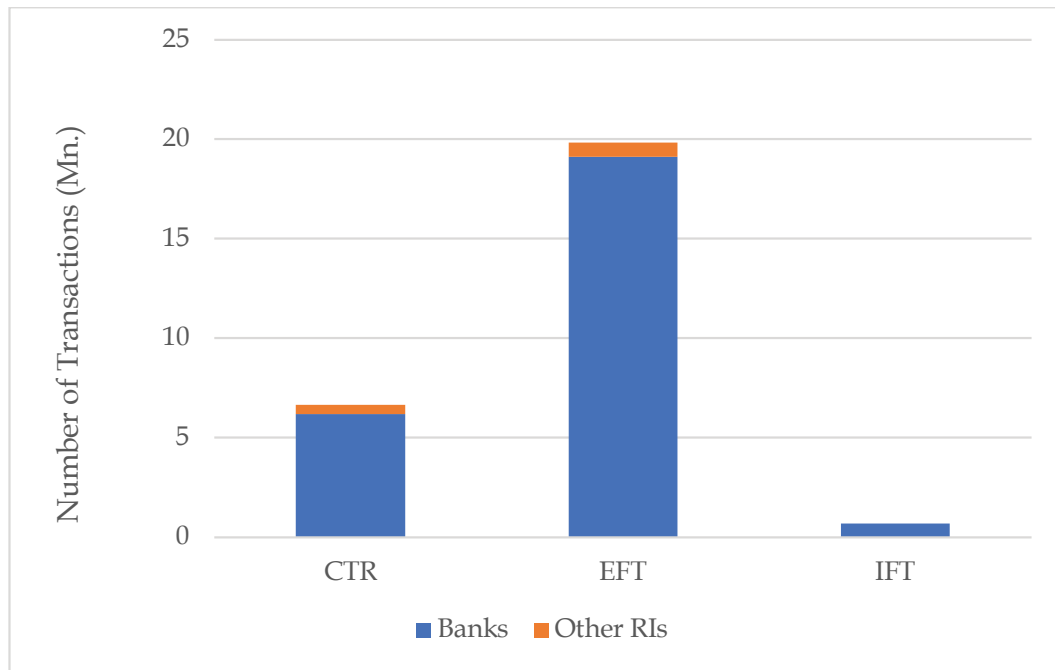
**Table 6.2**  
**Monthly Value of Threshold Transactions Reported (2023 – 2024)**

| 2023 (Rs. billion) |       |        |       | 2024 (Rs. billion) |       |        |       |
|--------------------|-------|--------|-------|--------------------|-------|--------|-------|
| Month              | CTR   | EFT    | IFT   | Month              | CTR   | EFT    | IFT   |
| 2023 Jan           | 1,296 | 12,431 | 1,126 | 2024 Jan           | 1,455 | 17,537 | 945   |
| 2023 Feb           | 1,319 | 10,980 | 787   | 2024 Feb           | 1,302 | 17,185 | 1,103 |
| 2023 Mar           | 1,443 | 14,660 | 1,081 | 2024 Mar           | 1,267 | 15,085 | 959   |
| 2023 Apr           | 1,230 | 12,860 | 767   | 2024 Apr           | 1,557 | 19,135 | 1,287 |
| 2023 May           | 1,380 | 22,185 | 830   | 2024 May           | 1,461 | 21,341 | 1,145 |
| 2023 Jun           | 1,187 | 14,638 | 823   | 2024 Jun           | 1,308 | 19,341 | 1,375 |
| 2023 Jul           | 1,261 | 16,665 | 1,041 | 2024 Jul           | 1,556 | 22,732 | 1,473 |
| 2023 Aug           | 1,369 | 17,383 | 1,064 | 2024 Aug           | 1,527 | 20,957 | 1,170 |
| 2023 Sep           | 1,256 | 15,631 | 865   | 2024 Sep           | 1,889 | 23,954 | 1,171 |
| 2023 Oct           | 1,428 | 17,852 | 1,020 | 2024 Oct           | 1,421 | 24,239 | 1,166 |
| 2023 Nov           | 1,333 | 15,632 | 954   | 2024 Nov           | 1,283 | 27,105 | 1,039 |
| 2023 Dec           | 1,397 | 19,140 | 1,091 | 2024 Dec           | 1,465 | 23,255 | 1,089 |

*Source: Financial Intelligence Unit – Sri Lanka*

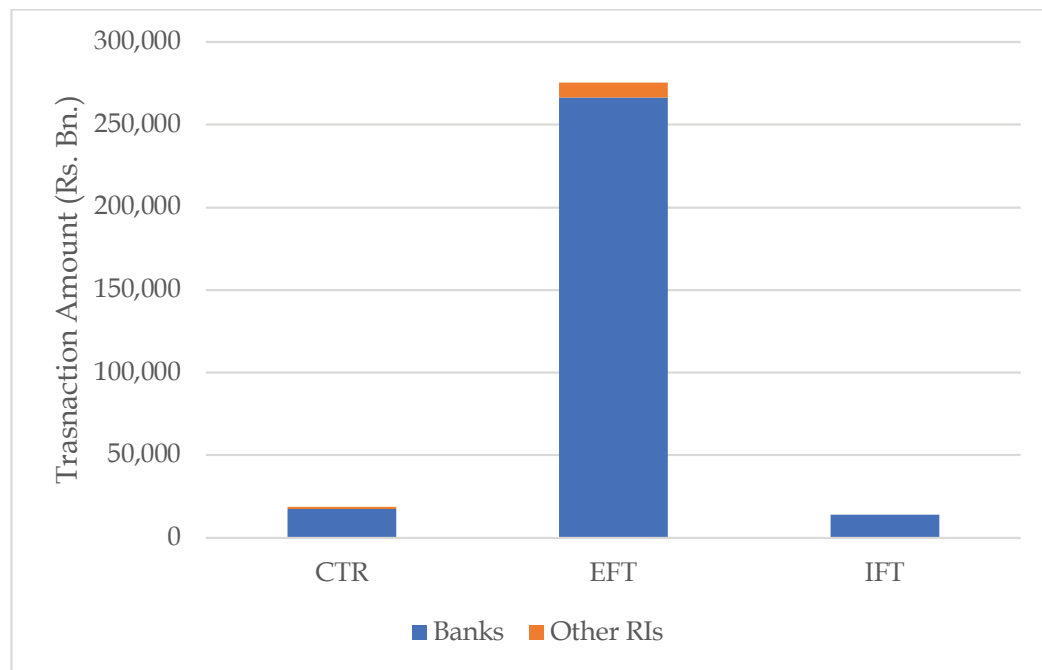
**Figure 6.4**

**Volume of Threshold Transactions Reported by Reporting Institution Type - 2024**



**Figure 6.5**

**Value of Threshold Transactions Reported by Reporting Institution Type - 2024**



During 2024, RIs continued to submit threshold reports through the goAML system, which provides a more comprehensive reporting structure than its predecessor, LankaFIN. Based on the Figures 6.2 and 6.3 threshold transaction reporting in 2024 shows notable trends. Electronic Fund Transfers (EFT) transactions have significantly increased in both amount and number, surpassing 2023 figures. Cash Transfer Receipts (CTR) and International Fund Transfer (IFT) volumes remained relatively stable with minor fluctuations. The growth in EFTs suggests an increasing reliance on electronic payments, likely driven by increases in e-commerce. Banks dominated threshold reporting in 2024, surpassing other RI categories by transaction volume (93% of CTRs, 96% of EFTs, and almost all IFTs out of total number of transactions) and transaction value (94% of CTRs, 97% of EFTs, and almost all IFTs out of total transaction values).

While the improved goAML report structure enhances analytical capabilities, it also presents challenges for RIs due to legacy data inconsistencies and IT resource constraints. FIU – Sri Lanka has adopted various strategies to increase the number of RIs onboarded to the goAML reporting system and to improve data validity for the purpose of operational and strategic analysis.

## **6.4 Innovative Initiatives to Enhance Reporting and Analysis**

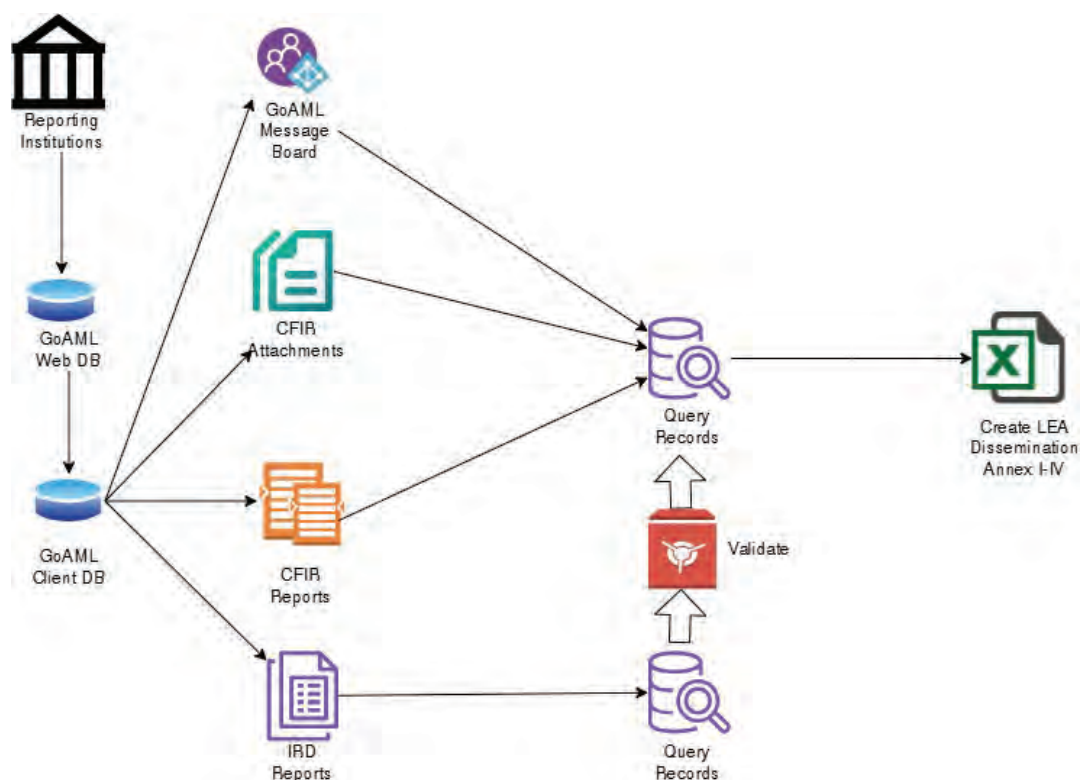
### **6.4.1 Automation of Law Enforcement Agencies Information Requests**

FIU – Sri Lanka received 711 requests from LEAs through the goAML system in 2024. Previously, processing these requests involved significant manual intervention, causing backlogs and delays.

To address this, FIU – Sri Lanka developed an automated system in the 3<sup>rd</sup> quarter of 2024 that leverages Python scripts to query the goAML database, validate and collate information, and generate intelligence reports for dissemination. This automation significantly reduced processing time and cleared any existing backlog of LEA requests.

Figure 6.5

## Value of Threshold Transactions Reported by Reporting Institution Type - 2024



### 6.4.2 Automation of STR Scoring and Prioritisation

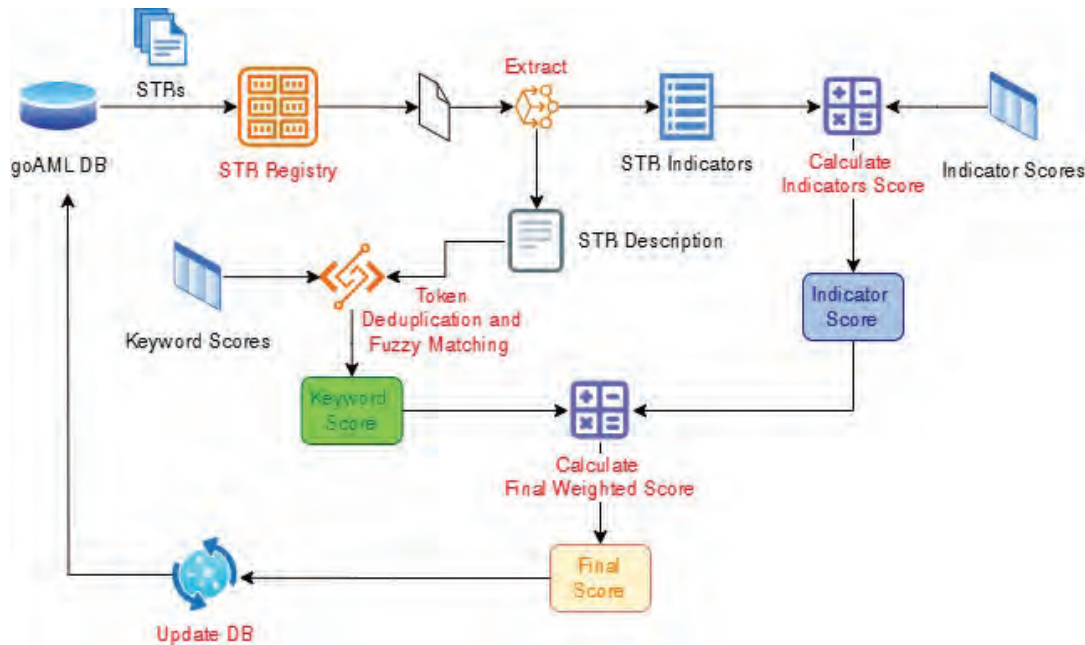
In order to address STR prioritisation requirement and to streamline the existing processes of STR analysis, FIU – Sri Lanka, in the 2<sup>nd</sup> quarter of 2024 developed a Python-based tool to assign weighted scores to STRs. The scores were assigned based on pre-defined ML/TF indicators and keywords identified through token deduplication and fuzzy matching techniques.

The scoring system assigns:

- 60% weight to ML/TF indicators (50+ pre-defined indicators)
- 40% weight to keywords (100+ pre-defined keywords)

This automated prioritization enables analysts to focus on high risk STRs first, significantly improving efficiency. Future enhancements will incorporate machine learning to refine prioritisation further.

**Figure 6.7**  
**Architectural Diagram of STR Prioritisation Tool**



### 6.4.3 Threshold Reporting Data Validation

A significant portion of the goAML database comprises threshold reports. However, many RIs faced challenges in submitting accurate data due to system limitations and legacy data issues.

To address this FIU – Sri Lanka initiated a two pronged approach in the 3<sup>rd</sup> quarter of 2024:

- a) **Data Cleansing in goAML Database:** FIU – Sri Lanka, with UNODC assistance, developed Structured Query Language (SQL) queries to merge duplicate records. This initiative is expected to reduce database size by over 50% by the 2<sup>nd</sup> quarter of 2025, improving system performance.
- b) **Pre-submission Data Validation:** A Python based tool was developed to detect over 40 potential invalid data points in threshold reports. The tool, provided to RIs in the 4<sup>th</sup> quarter of 2024, employs XML parsing, fuzzy matching, and Natural Language Processing (NLP) techniques to ensure higher reporting accuracy.

This validation layer was integrated externally without modifying goAML’s core functionality and is expected to be shared with the global goAML community in 2025.

### 6.4.4 Integration of Customs Data for goAML Analysis

In the 3<sup>rd</sup> quarter of 2024, FIU – Sri Lanka successfully integrated National Customs Enforcement Network (nCEN) reports from Sri Lanka Customs, containing details of



individuals and entities penalised for Customs violations. These reports enhance operational analysis and FIU – Sri Lanka is in the process of incorporating the information to update the STR prioritisation tool.

## 6.5 Technical Assistance from International Partners

In August 2024, a UNODC team provided technical assistance to FIU – Sri Lanka in preparation for the upcoming goAML version 5.4 upgrade. Key areas of support included:

- Training analysts on new system features,
- Developing SQL queries to merge duplicate records, estimated to reduce database size by over 50%.

FIU – Sri Lanka continues to collaborate with UNODC for ongoing technical enhancements.

## 6.6 Development of the New FIU – Sri Lanka Website

In the 1<sup>st</sup> quarter of 2024, FIU – Sri Lanka initiated the development of a new website, selecting a service provider in collaboration with the IT and Secretariat Departments. The new website aims to enhance accessibility and serve as a more effective information resource for stakeholders.

## 6.7 Publications on FIU - Sri Lanka Website

**Table 6.3**  
**Publications on FIU - Sri Lanka's Website - 2024**

|   | <b>Date</b>       | <b>Update</b>  |
|---|-------------------|--|
| 1 | January 9, 2024   | Update of the list established and maintained pursuant to Security Council resolutions 1267(1999), 1989(2011), 2253(2015)  |
| 2 | February 16, 2024 | Press Release: Financial Intelligence Unit of Sri Lanka entered into a Memorandum of Understanding with the Excise Department of Sri Lanka                                     |
| 3 | February 19, 2024 | Press Release: Administrative Penalties imposed by the Financial Intelligence Unit (FIU) on Financial Institutions from 27 September to 31 December 2023                       |
| 4 | April 1, 2024     | Circular 01/2024 - Compliance with the Reporting Requirements under the Financial Transactions Reporting Act, No. 6 of 2006  |
| 5 | April 19, 2024    | Update to the lists established and maintained pursuant to Security Council resolutions 1718 (2006) and subsequent resolutions on Democratic People's Republic of Korea (DPRK) |
| 6 | June 4, 2024      | Update of the list of Designated Persons under Regulation 4(7) of the United Nations Regulations No. 1 of 2012 pursuant to Security Council resolution 1373(2001)              |

|    |                    |  |
|----|--------------------|--|
| 7  | June 12, 2024      | Press Release by the Payments and Settlements Department: Central Bank of Sri Lanka to Function as The Regulatory and Supervisory Authority of Money or Value Transfer Service Providers |
| 8  | June 18, 2024      | Press Release: Financial Intelligence Unit of Sri Lanka entered into a Memorandum of Understanding with the Commission to Investigate Allegations of Bribery or Corruption               |
| 9  | June 19, 2024      | Press Release: Financial Intelligence Unit of Sri Lanka entered into a Memorandum of Understanding with the Financial Intelligence National Center of the Kingdom of Bahrain             |
| 10 | June 26, 2024      | Press Release: Administrative Penalties imposed by the Financial Intelligence Unit (FIU) on Financial Institutions from 01 January 2024 to 30 April 2024.                                |
| 11 | August 9, 2024     | Press Release: Financial Intelligence Unit of Sri Lanka entered into a Memorandum of Understanding with the Registrar General of the Registrar General's Department                      |
| 12 | August 27, 2024    | Update of the lists established and maintained pursuant to Security Council resolutions 1267(1999), 1989(2011), 2253(2015), 1718(2006) and 1373(2001)                                    |
| 13 | September 5, 2024  | Circular 02/2024 - Compliance with the Rules on Customer Due Diligence for Financial Institutions  |
| 14 | September 19, 2024 | Circular 2A/2024 - Compliance with the Rules in Customer Due Diligence for Insurance Companies   |
| 15 | September 20, 2024 | Update to the lists established and maintained pursuant to Security Council resolutions 1718 (2006) and subsequent resolutions on Democratic People's Republic of Korea (DPRK)           |
| 16 | October 2, 2024    | Circular 03/2024 - Ensuring Institutional Compliance of the Restricted Dealers with the provisions of the Financial Transactions Reporting Act, No. 6 of 2006                            |
| 17 | November 4, 2024   | Circular 04/2024 - Compliance with the Financial Transactions Reporting Act, No. 6 of 2006 and the Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018         |
| 18 | November 7, 2024   | Press Release: Financial Intelligence Unit of Sri Lanka entered into a Memorandum of Understanding with the National Secretariat for Non-Governmental Organisations                      |
| 19 | November 26, 2024  | Press Release: Administrative Penalties imposed by the Financial Intelligence Unit (FIU) on Reporting Institutions from May to October 2024  |
| 20 | December 4, 2024   | Update of the list established and maintained pursuant to Security Council resolutions 1267(1999), 1989(2011), 2253(2015)  |

### TYPOLOGY I: Drug Trafficking

FIU – Sri Lanka received four connected STRs (A, B, C and D) on 4 individuals. In 3 of these STRs, the reason for suspicion was mentioned as unusual inward/outward transactions. The remaining STR mentioned drug dealing as the reason for suspicion.

In the analysis of STRs and related financial transactions, the following common characteristics were identified.

- Subjects of the STRs are residing in coastal area of southern region of Sri Lanka which is infamous for drug trafficking.
- Most transactions of the subjects' accounts have taken place within close proximity to coastal towns of the Southern Province.
- Most of the transactions of the subjects' accounts were carried out as non-face to face transactions (i.e., CDM/CRM transactions).

FIU – Sri Lanka carried out analysis based on the available data in the goAML system. Accordingly, it was identified that the subject reported in STR A has conducted transactions with a company which is engaged in a seafood processing business. The subject party in STR C has opened many accounts using several individuals where subject C's mobile number was provided as contact details. Apart from these facts, it was noted that the person made several transactions through Account X operated under the name of a common payment platform which is offered by a Licensed Bank.

The analysis further identified STRs being reported against several persons where Account X was the connected account. Further information was gathered on these third parties using available information in the goAML system where the profiles of the subjects reported in these STRs were students. STRs have been reported under the suspicion of “digital currency transactions”, “scams” and “unusual inward/outward transaction”. It was also noted that one STR received was in relation to a gem and jewellery business. Available open source information revealed that the owner of the gem and jewellery company mentioned in the STR has been arrested in a foreign jurisdiction with group of persons on the suspicion of drug trafficking and TF activities.

Further information to assist the analysis was gathered from external databases such as the Registrar of Companies and Department of Registration of Persons. In addition, persons/entities reported in the cases were screened against the data obtained from LEAs such as the Sri Lanka Navy.

Based on the available information and findings of the FIU analysis, the case was referred to PNB to commence investigations. Subsequently, feedback received from PNB officials confirmed that several persons reported in the case were arrested for possession of drugs during the investigations. Following discussions, the matter was also referred to IAID and CTID of Sri Lanka Police to investigate the illegal acquisition of assets and TF aspects of the case.

## **TYPOLOGY 2 : Using Life Insurance Products as an Instrument of Money Laundering**

FIU - Sri Lanka received an STR from one of the Licensed Insurance Companies (ICs) in Sri Lanka, with regard to a Life Insurance Policy obtained by Mrs. Y for a term of 15 years with a life cover worth of Rs. 25 million. The premiums of the policy were to be paid annually, and the amount of premium is Rs. 2 million per annum.

During CDD procedures, Mrs. Y was reluctant to declare her occupation and the source of funds, where she stated that she is working as a Director of Company Q, and the source of funds for the premium payments are savings from her remuneration.

During the period from January to October 2024, Mrs. Y made 32 payments totaling Rs. 30 million for the life insurance policy, by mobile banking transfers through mobile cash wallets. All those mobile banking transfers were just below Rs. 1 million. Mrs. Y apparently paid all of her annual premium payments, which are required to be paid over the term of 15 years within a period of 10 months. This pattern of premium payments led the IC to raise an STR.

Further, Mr. Z, a senior government official and a PEP was named as the beneficiary of the insurance policy. The IC identified that Mrs. Y is the spouse of Mr. Z. Meanwhile, an adverse news report has highlighted possible links of Mr. Z to a bribery and corruption allegation, escalating the suspicion to an STR.

After carrying out an in-depth analysis of the case, FIU - Sri Lanka referred the STR along with the additional financial intelligence gathered from other FIs to the CIABOC for investigation.



### TYPOLOGY 3 : Human Trafficking

FIU - Sri Lanka received an STR from a Licensed Commercial Bank (LCB), with regard to some adverse media news concerning a human trafficking case.

According to the news report, 56 Sri Lankans were taken to Country A under false promise of providing jobs in the IT industry. However, these individuals were transported from Country A to Country B and were held captive in Country B by an organised criminal group that forcibly involved them in carrying out activities related to cybercrimes.

The plight of the victims was broadcasted in Sri Lankan media which included an image of a cash deposit slip, showing funds deposited by a victim as payment for the travel arrangement. The LCB which reported the STR identified that the account number on the slip belonged to their institution. The bank extracted the account number from the image to screen their database for a possible match. This resulted in the identification of Mr. X as the local agent involved in trafficking these individuals, based on which the LCB subsequently reported an STR.

According to the CDD conducted by the reporting bank, Mr. X is a tourist guide and had been their customer since 2017. Although he claimed an expected monthly income of about Rs. 100,000, it was noticed that more than Rs. 23 million had been deposited in his account in 150 transactions within 2 months in 2024.

During the analysis of the STR, it was revealed that Mr. X had maintained 6 other accounts in 3 different LCBs, including savings and term deposits. FIU - Sri Lanka contacted the respective LCBs and obtained further information related to Mr. X.

After detailed analysis, FIU - Sri Lanka referred the STR along with the additional financial intelligence to the Human Trafficking, Smuggling Investigation and Maritime Crimes Investigation Branch of the CID for further investigation. During the ongoing investigation, the FIU continued to support the CID by facilitating the collection of additional information from the reporting institutions.

## TYPOLGY 4 : Fraud

FIU - Sri Lanka received an STR from Company L, a Licensed Finance Company operating in Sri Lanka, with regard to a fraudulent activity that occurred during an account opening.

Company L opened 11 term deposits totaling to Rs. 40,872,788.39 between 2020 and 2023. The deposits were initiated under the declaration that the account holder was a housewife, Mrs. S, and the purpose of opening accounts were mentioned as “family inward remittances”.

Transactions in relation to term deposits were conducted via cash, cheque, and electronic transfers, with no clear traceability to the parties involved as per the goAML system. Initially, the nominee for these term deposits was mentioned as Mrs. S’s brother. In 2021, a request was made to change the nominee to the niece of Mrs. S.

The STR was filed in 2024, following confirmation of Mrs. S’s death by the family during the term deposit renewal process. According to the Registrar of Births and Deaths, Mrs. S passed away in 2019. Despite this, the 11 term deposits remained in “active” status. Suspicion is now directed towards Mrs. S’s brother, who is believed to have produced fraudulent documents to initiate the deposits and to have named his daughter as the nominee. The brother currently holds a senior managerial position at a reputable company in the country.

As per the analysis conducted by FIU - Sri Lanka, it was identified that Mrs. S’s brother, has received a significant number of EFTs and maintained several investment portfolios in Company Q. Considering the facts, there is a strong suspicion that Mrs. S’s brother has used fraudulent documents to carry out tax evasion.

Under the Penal Code, the punishment for the offence of forgery with the intent to commit fraud is punishable with imprisonment of either description for a term which may extend to 5 years, or with fine, or with both. Therefore, this offence comes within the definition of an unlawful activity under PMLA.

Upon analysing the STR and further information collected, FIU - Sri Lanka observed that Mrs. S’s brother had the motive for committing such fraud, as he and his daughter stand to be the beneficial owners of the 11 term deposits. Consequently, FIU - Sri Lanka referred the analysis to the CID for further investigation. Meanwhile, Company L has also lodged a complaint with the Fraud Investigation Bureau (FIB) regarding fraudulent documents being used to open an account in the name of a deceased person.

## **TYPOLGY 5 : Unravelling an International Illicit Financial Network Behind the Local Money Lending Business.**

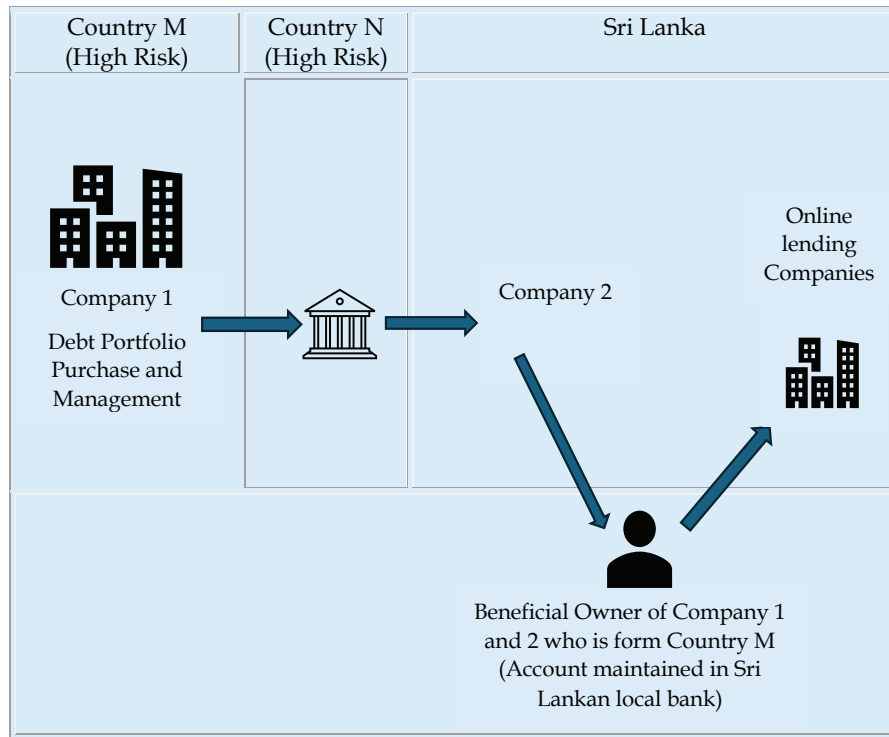
FIU – Sri Lanka analysed several STRs submitted by Licensed Banks (LBs) based on the underlying suspicion of remittances from high risk countries. The analysis by FIU – Sri Lanka revealed the following:

Company A incorporated in Country 1 (identified by LBs as a high risk country), which is engaged in debt portfolio purchase and management under micro finance business, has sent several remittances to a Company B incorporated in Sri Lanka. The beneficial owner of both companies is the same foreign national from the high risk Country 1. Company A had remitted funds by way of a wire transfer from Country 1, through correspondent bank in Country 2 (another high risk country identified by LBs) to a foreign loan account maintained by Company B in a local bank in Sri Lanka. Funds were subsequently transferred to individual accounts of the beneficial owner of Company A and B and then directed to accounts of several online lending companies.

The analysis of the funds routed to these cash intensive lending institutions (recognised as carrying out balance sheet lending) revealed the key findings. The funds were invested in money lending, a cash intensive business, where the funds were circulated among several companies which are formed for the purpose of money lending/ online lending activities. Several lending companies offering lending products to the public through different lending platforms were interlinked and a large sum of money was transferred among these companies which the beneficial owners are foreign nationals from high risk jurisdictions. Companies were established through Sri Lankan nationals as initial directors and subsequently changing the ownership to foreign nationals from high risk countries for ML. Analysis of money trail and links between different counterparties revealed that involved individuals who are beneficial owners are politically exposed, sanctioned, accused of corruption, embezzlement, and having links to possible arms dealing or other similar activities. The funds received into Sri Lanka were transferred among different lending companies and also used for lending to public for high interest rates. Analysis also reveals a pattern of these funds being routed to foreign entities which are similar lending institutions established in other countries. Analysis indicated the possibility of exploiting the company secretaries in Sri Lanka for incorporation of companies by foreign individuals without proper controls or due diligence. Analysis of financial statements revealed a pattern of declaring financial losses despite high turnover which indicates an attempt to evade tax.

**Figure 7.1**

**Money Flow of the Remittance from High Risk Country**



Upon analysis, FIU – Sri Lanka referred the individuals and companies to the IRD to investigate possible tax offences. FIU – Sri Lanka also referred the case analysis on scams related to online loans to relevant LEAs. FIU – Sri Lanka issued trends and red flags of unregulated online money lending activities to financial institutions, emphasised the requirements of beneficial ownership identification, implementation of BO transparency and red flags related to beneficial ownership, online lending and scams, in the meetings with CEOs, Board of Directors and/or COs of FIs educated the public on unethical behaviors and scams conducted in the guise of online money lending in awareness programmes.

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FIU - Sri Lanka signed an MOU with FIU- Bahrain - June 04, 2024



FIU - Sri Lanka signed an MOU with Excise Department of Sri Lanka - January 09, 2024



FIU - Sri Lanka signed an MOU with CIABOC, May 14, 2024





FIU - Sri Lanka signed an MOU with Registrar General's Department - August 06, 2024



FIU - Sri Lanka signed an MOU with National Secretariat for Non-Governmental Organisations - November 04, 2024



Advanced Cyber Crime Investigation Course in Colombo, Sri Lanka - January 22-26, 2024

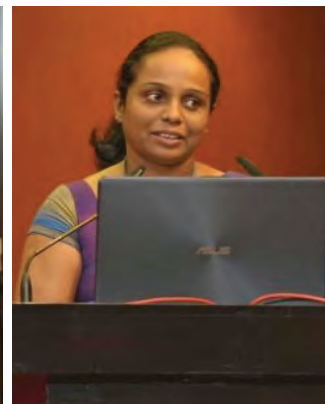




## Knowledge Sharing Session with the Officials of Banking Institutions on Implementation of Red Flag Indicators on TBML – February 20, 2024



## AML/CFT Familiarisation Programme for Restricted Dealers in Sri Lanka – March 21, 2024





**Awareness Programme for the Law Enforcement Officers of Sri Lanka Police to Facilitate Investigations Related to TBML and Tax Related Crimes  
March 25, 2024**



**AML/CFT Awareness Programme for Company Secretaries - April 29, 2024**





**9<sup>th</sup> Session of the Series of Awareness Programmes on Managing Financial  
Crime Risks in the Financial Services Sector of Sri Lanka  
April 30, 2024**



**AML/CFT Awareness Programme for Company Secretaries - April 29, 2024**







## Awareness Session on AML/CFT Obligations for Accounting Professionals May 20, 2024



**Awareness Session on AML/CFT Obligations of the Gem and Jewellery Dealers  
in Galle - May 28, 2024**



**Knowledge Sharing Session for the Officials of Licensed Banks on the  
Application of “Asicuda” System to Assist the Identification of Suspicious  
Transactions Relating to TBML – June 12, 2024**





**10<sup>th</sup> Session of the Series of Awareness Programmes on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka - June 27, 2024**



**3<sup>rd</sup> AML/CFT Familiarization Programme for Restricted Dealers in Sri Lanka – July 09, 2024**







**11<sup>th</sup> Session of the Series of Awareness Programmes on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka - July 18, 2024**



**12<sup>th</sup> Session of the Series of Awareness Programmes on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka (Programme 12) - July 25, 2024**

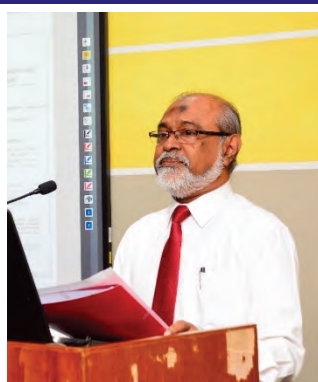




**Awareness Session on Enhancing the Quality and Validation of Data Submitted to the FIU – Sri Lanka by RIs – July 31, 2024**



**Awareness Session on Enhancing the Quality and Validation of Data Submitted to the FIU – Sri Lanka by RIs – July 31, 2024**





**Training Programme conducted by the U.S Department of Justice and the Federal Bureau of Investigations on Fundamentals on ML for Prosecutors and Investigators – August 26-30, 2024**



**13<sup>th</sup> Session of the Series of Awareness Programmes on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka – September 11, 2024**





## Awareness Programme on AML/CFT for the Officials of National Secretariat for Non-Governmental Organisations - September 11, 2024



## Awareness Session on ML/TF Risk Management for LFCs - October 08, 2024





**Awareness Programme on AML/CFT Compliance Requirements, for Gem and Jewellery Dealers at Demuwawatha International Gem Trading Center, Ratnapura - October 11, 2024**



**14<sup>th</sup> Session of the Series of Awareness Programmes on Managing Financial Crime Risks in the Financial Services Sector of Sri Lanka – October 15, 2024**





**Awareness Session on AML/CFT Obligations for Insurance Companies –  
November 6, 2024**



**Annual High-Level Awareness Conference for LBs, LFCs, MVTs Providers and  
PDs in Sri Lanka – December 11, 2024**





## Appendix A: List of Rules/ Directions/ Guidelines Issued From 2006 to 2024

### 2024

1. Compliance with the Reporting Requirements under the Financial Transactions Reporting Act, No. 6 of 2006, Circular 01/2024
2. Compliance with the Rules on Customer Due Diligence for Financial Institutions, Circular 02/2024
3. Compliance with the Rules on Customer Due Diligence for Insurance Companies, Circular 02A/2024
4. Ensuring Institutional Compliance of the Restricted Dealers with the provisions of the Financial Transactions Reporting Act, No. 06 of 2006, Circular 03/2024
5. Compliance with the Financial Transaction Reporting Act, No. 6 of 2006 and the Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018, Circular 04/2024
6. Trends and Red Flags in Unregulated Online Money Lending Activities, Red Flag Indicators 01/2024 (unpublished)
7. Red Flag Indicators on Trade-based Money Laundering to all Licensed Banks, Licensed Finance Companies, Red Flag Indicator 02/2024 (unpublished)
8. Red Flag Indicators on Large Scale Scam Operations to all Licensed Banks, Licensed Finance Companies, Red Flag Indicators 03/2024 (unpublished)
9. Red Flag Indicators to Combat Website Spoofing Scams, Red Flag Indicators 04/2024 (unpublished)
10. Red Flag Indicators on Tax related Money Laundering, Red Flag Indicators 05/2024 (unpublished)

### 2023

1. Calling for Due Vigilance on Compliance Lapses, Circular 01/2023
2. Institutional Compliance of Real Estate Sector under the Financial Transactions Reporting Act, No. 06 of 2006, Circular 02/2023
3. Reminder on adherence to previously issued guidelines and reporting formats on mandatory reporting under the Financial Transactions Reporting Act, No. 06 of 2006, Circular 03/2023
4. Reporting Domestic Electronic Fund Transfer Threshold Transactions to the goAML System of the FIU, Guidelines 01/2023 (unpublished)
5. Guideline on AML and CFT compliance for the Attorneys at Law and Notaries, Guidelines 02/2023

6. Identification Suspicious Transactions relating to Bribery and/or Corruption, Red Flag Indicator 01/2023 (unpublished)
7. Red Flags on possible Drug Trafficking related Financial Transactions, Red Flag Indicator 02/2023 (unpublished)
8. Identification of Suspicious Transactions relating to Insurance sector, Red Flag Indicator 03/2023 (unpublished)
9. Identification of Suspicious Transactions relating to Securities sector, Red Flag Indicator 04/2023 (unpublished)
10. Identification of Suspicious Transactions relating to MVTs sector, Red Flag Indicator 05/2023 (unpublished)
11. Guidelines on Reporting Domestic Electronic Fund Transfer (EFT) Threshold Transactions to the goAML System of the Financial Intelligence Unit (FIU), Guideline No. 01/2023

## 2022

1. Amendment to the Guidelines for Financial Institutions on CCTV Operations for AML/CFT
2. Purposes No. 2 of 2021, Circular 01/2022
3. Further information requested on Suspicious Transaction Reports, Circular 02/2022
4. Provision of Efficient Banking Services to Sri Lankan Expatriates, Circular 03/2022
5. Authenticating customer identification details through the Department of Immigration and Emigration, Circular 04/2022
6. Guidelines for Financial Institutions on Keeping Accounts Reported in Suspicious Transactions Reports, Under Surveillance, No. 1 of 2022 (unpublished)

## 2021

1. Implementation of AML/CFT measures on parties involved with online payment platforms, Circular 01/2021
2. Trends in Foreign Currency Outflows via ATMs: Cash withdrawals overseas, Circular 02/2021
3. Additional measures to mitigate the emerging Money Laundering/ Terrorist Financing risks during the third wave of the COVID-19 Pandemic, Circular 03/2021
4. Guidelines for Financial Institutions on Enhancing STR Reporting Quality No. 1 of 2021
5. Guidelines for Financial Institutions on CCTV Operations for AML/CFT Purposes, No. 2 of 2021

6. Guidelines for Financial Institutions on Suspension of Transactions under Section 15 (2) of the FTRA, No. 3 of 2021
7. Deposits made under the Finance Act, No. 18 of 2021, Circular 04/2021

## 2020

1. Guidelines for LFCs, ICs and SBs on Scenario-based LankaFIN Reporting, No. 1 of 2020
2. Extraordinary Measures of Extending the Deadline for Submission of Threshold Reports, Circular No. 01/20
3. Extraordinary Measures of Extending the Deadline for Submission of Threshold Reports: Second Extension, Circular No. 02/20
4. Guideline for Accountants and Trust or Company Service Providers on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations, No. 2 of 2020
5. Advice to Financial Institutions to Be Vigilant on the Emerging Money Laundering/ Terrorist Financing Risks, Circular No. 03/20
6. Direction on Contacting Compliance Officials during Weekends/Public and Bank Holidays, No. 1 of 2020
7. Guidelines on Non-Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons, No. 3 of 2020

## 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

## 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 On-site Examinations, Circular No. 01 of 2018
4. Guidelines on ML and TF Risk Management for Financial Institutions, No. 1 of 2018
5. Guidelines on AML and CFT Compliance Obligations for Casinos and Gambling Houses, No. 02 of 2018
6. Guidelines on AML and 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. Guidelines, 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

## 2017

1. Circular on on-site examination in terms of Risk-Based approach examination plan 2017 to Chief Executive Officers 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 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

## 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



## 2015

1. Reporting of Foreign Inward Remittances

## 2014

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

## 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
4. Institutions - All Licensed Banks and Licensed Finance Companies
5. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting
6. Institutions - Insurance Companies
7. Prevention and Suppression of Terrorism and Terrorist Financing Obligation of Reporting
8. Institutions - Stock Brokering Companies

## 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
4. Companies - Extraordinary Gazette No 1756/27, May 04, 2012

## 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

## 2010

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

## 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 US
4. AML/CFT Compliance Functions of the Insurance Industry
5. Web Based Reporting System for LCBs and LSBs
6. Web Based Reporting System RFCs

## 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 Authorized to Accept Deposits
6. Compliance with Reporting Requirement of FTRA-Securities Industry
7. Compliance with Reporting Requirement of FTRA-Insurance Industry

## 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

## 2006

1. Compliance with the Reporting Requirement under the FTRA No 6 of 2006
2. Section 312 and Section 319 of the Patriot Act
3. FTRA No. 06 of 2006 Submission of Data
4. Financial Transactions Reporting Act, No. 06 of 2006
5. CDD for Inward Remittance

### Licensed Commercial Banks

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

### Licensed Specialised Banks

1. Housing Development Finance Corporation Bank of Sri Lanka (HDFC)
2. National Savings Bank
3. Pradeshiya Sanwardhana Bank
4. Sanasa Development Bank PLC
5. Sri Lanka Savings Bank Ltd
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. Asia Asset Finance PLC
5. Assetline Finance Ltd
6. Associated Motor Finance Company PLC
7. CBC Finance Ltd
8. Central Finance Company PLC
9. Citizens Development Business Finance PLC
10. Commercial Credit and Finance PLC
11. Dialog Finance PLC
12. Fintrex Finance Ltd
13. HNB Finance PLC
14. Lanka Credit and Business Finance PLC
15. LB Finance PLC
16. LOLC Finance PLC
17. Mahindra Ideal Finance Ltd
18. Mercantile Investments and Finance PLC
19. Merchant Bank of Sri Lanka and Finance PLC
20. Nation Lanka Finance PLC
21. Orient Finance PLC
22. People's Leasing and Finance PLC
23. PMF Finance PLC
24. Richard Pieris Finance Ltd
25. Sarvodaya Development Finance PLC
26. Senkadagala Finance PLC
27. Singer Finance (Lanka) PLC
28. Siyapatha Finance PLC
29. SMB Finance PLC
30. Softlogic Finance PLC
31. UB Finance Company Ltd
32. 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 Limited
8. Ceylinco Life Insurance Limited
9. Continental Insurance Lanka Ltd
10. Continental Insurance Life Lanka Ltd
11. Cooperative Insurance Company PLC
12. Cooplife Insurance Limited
13. Fair first Insurance Limited
14. HNB Assurance PLC
15. HNB General Insurance Ltd
16. Janashakthi Insurance PLC
17. Life Insurance Corporation (Lanka) Ltd
18. LOLC General Insurance PLC
19. LOLC Life Assurance Limited
20. MBSL Insurance Company Limited
21. National Insurance Trust Fund
22. Orient Insurance Limited
23. People's Insurance PLC
24. Sanasa General Insurance Company Limited
25. Sanasa Life Insurance Company PLC
26. Softlogic Life Insurance PLC
27. Sri Lanka Insurance Corporation General Limited
28. Sri Lanka Insurance Corporation Life Limited
29. Union Assurance PLC

#### Licensed Stockbrokers

1. Bartleet Religare Securities (Pvt) Ltd
2. Acuity Stockbrokers (Pvt) Ltd.
3. John Keells Stockbrokers (Pvt) Ltd.
4. Asha Securities Ltd.
5. Almas Equities (Pvt) Ltd.
6. Somerville Stockbrokers (Pvt) Ltd.

7. J B Securities (Pvt) Ltd.
8. Lanka Securities (Pvt) Ltd.
9. Asia Securities (Pvt) Ltd.
10. Capital Trust Securities (Pvt) Ltd.
11. S C Securities (Pvt) Ltd.
12. CT CLSA Securities (Pvt) Ltd.
13. First Capital Equities (Pvt) Ltd.
14. NDB Securities (Private) Ltd.
15. ACS Capital (Pvt) Ltd.

### Restricted Dealers

1. Abdeen Money Changers
2. Abilash Money Exchange
3. Ariyawansa Enterprises
4. Arrujina Jewellery
5. Asian Money Exchange Pvt Ltd
6. Armex Money Exchange Pvt Ltd
7. Bullion Money Exchange Pvt Ltd
8. Capital Exchange Pvt Ltd
9. Central Money Exchange Pvt Ltd
10. Cinnamon Bentota Beach
11. Cinnamon Bey Beruwala
12. Cinnamon Citadel Kandy
13. Cinnamon Grand
14. Cinnamon Lakeside
15. Cinnamon Red Colombo
16. Cinnamon Lodge Habarana
17. Cinnamon Wild Yala
18. City Exchange Pvt Ltd
19. Colombo Money Exchange (Colombo 06, Colombo 01)
20. Crown Money Exchange Pvt Ltd
21. Dadigama Group Pvt Ltd
22. Data Exchange International Pvt Ltd
23. Devi Forex Pvt Ltd
24. Galle Money Exchange (Galle, Galle Fort, Weligama)

25. George Michael Holdings Pvt Ltd
26. Global Money Exchange Pvt Ltd
27. Global Village Exchange Pvt Ltd
28. Golden Money Changers Pvt Ltd
29. Haifa Travels and Tours Pvt Ltd
30. Habarana Village by Cinnamon
31. Hikka Tranz by Cinnamon
32. International Exchange Pvt Ltd
33. ITC Ratnadipa
34. Jewel Lanka Money Exchange Pvt Ltd
35. Keyzer Exchange Pvt Ltd
36. Lanka Forex Money Exchange Pvt Ltd
37. Maruthi Money Exchange (Colombo 06, Jaffna)
38. Mayurie Money Changers Pvt Ltd
39. Metro Forex Pvt Ltd
40. Milano Money Exchange Pvt Ltd
41. Narmatha Gold Centre Pvt Ltd (Jaffna, Kilinochchi)
42. New Natasha Pvt Ltd
43. New Regal's Money Changer Pvt Ltd
44. Pearl City Hotel
45. Prasanna Money Exchange Pvt Ltd (Colombo 01, Colombo 06)
46. Pushpa Money Changers Pvt Ltd
47. Ravi Forexae Pvt Ltd
48. Rivindu Enterprises Pvt Ltd
49. Royal Forex Money Exchange Pvt Ltd
50. Royal Money Exchange Pvt Ltd (Colombo 01, Colombo 06)
51. Royal Money Mart (Aluthgama, Colombo 01)
52. Shangri-La's Hambantota Resort & Spa
53. Shangri-La hotel Colombo
54. Shifaz Money Exchange
55. Swiss Money Exchange (Colombo 01, Colombo 06)
56. Thomas Cook Lanka Pvt Ltd (Colombo 02, CCC, KCC, OGFM)
57. Trinco Blu by Cinnamon
58. Unic Forex Pvt Ltd
59. Western Money Exchange Pvt Ltd
60. Windsor Money Exchange Pvt Ltd



### Money or Value Transfer Service Providers

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

### Primary Dealers (Other than banks)

1. Capital Alliance PLC
2. First Capital Treasuries PLC
3. Acuity Securities Limited
4. NSB Fund Management Company Limited
5. Wealth Trust Securities Ltd



CENTRAL BANK OF SRI LANKA

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