



இலங்கை மத்திய வங்கி  
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CENTRAL BANK OF SRI LANKA

இலங்கை மத்திய வங்கி

நிதியியல் உளவறிதல் பிரிவு

Financial Intelligence Unit

Circular - 02/17

Ref: 37/05/002/0017/016

January 20, 2017

To: CEO/General Manager/Managing Director  
(Money Value Transfer Service Provider concerned)

Dear Sir/Madam,

**Guidelines on AML/CFT Compliance Obligations for Money Value Transfer Service  
Providers, No. 01 of 2017**

The above Guidelines will come into force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 6 of 2006 and the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016.

Yours faithfully,

Director  
Financial Intelligence Unit

cc : Compliance Officer

# **Guidelines on AML / CFT Compliance Obligations for Money or Value Transfer Service Providers, No. 01 of 2017**

## **1. Introduction:**

- (a) The Financial Intelligence Unit of Sri Lanka (FIU), acting within the powers vested with it under the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA), issued the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016 by *Gazette Extraordinary* No. 1951/13, dated January 27, 2016; effective from the date of issue, applicable to institutions which engage in “finance business” as defined under Section 33 of the FTRA.
- (b) As applicable under Rule 3 of the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016, the rules introduce, *inter alia*, provisions requiring financial institutions identified under the rules to take measures specified therein for the purpose of identifying, assessing, and managing money laundering and terrorist financing risks posed by its customers by conducting ongoing customer due diligence (CDD).
- (c) The present guidelines are issued by the FIU to be adhered to by Money or Value Transfer Service (MVTs) Providers as defined under the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016, in accordance with the provisions of the said rules and Section 2 of the FTRA to facilitate their compliance with the provisions of the rules and the FTRA in conducting ongoing customer due diligence based on a risk based approach as defined in the rules and to outline broad principles and standards for operators of mobile phone based e-money systems.
- (d) These guidelines will come into force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 06 of 2006 and the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016. Any violation or non-compliance of any provision of these guidelines will be subject to penalties, sanctions and actions identified under the FTRA.

## **2. Applicability**

These guidelines will be applicable to all institutions that provide money or value transfer services as defined under the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016 and would include but not limited to:

- i. Institutions licensed under the Banking Act, No. 30 of 1988 and carrying on money or value transfer services business;
- ii. Institutions licensed under the Finance Business Act, No. 42 of 2011 and carrying on money or value transfer services business;
- iii. Any institution carrying on money or value transfer services business as permitted under the Exchange Control Act, No. 24 of 1953;
- iv. Any operator of mobile phone based e-money systems, licensed in terms of the Payments and Settlement Systems Act, No. 28 of 2005; and
- v. Any other institution identified by the FIU as providing services similar to money or value transfer services within the country.

### **3. AML/CFT Requirements**

3.1. The Chief Executive Officer/Head of the MVTS provider shall appoint a senior management level officer as the institution's compliance officer, who shall be responsible for AML/CFT compliance functions in terms of Section 14 of the FTRA and inform details of the compliance officer to the FIU.

3.1.1. Upon receiving information of the appointment of the compliance officer, the FIU will make necessary arrangements to provide the compliance officer access to the FIU website.

3.1.2. All MVTS providers shall report to the FIU of cash transactions and/or electronic funds transfers of an amount exceeding rupees one million (Rs. 1,000,000), or its equivalent in any foreign currency.

3.1.2.1. The amount described above can be the value of a single transaction or an aggregated value of several transactions performed by a person, within a day, using one or more sim cards registered under such person's name.

3.1.3. The MVTS providers shall be able to identify the maximum number of sim cards issued, particulars of the sim cards and registration/enrolment details of each person in such MVTS services.

3.1.4. The MVTS provider shall endeavour to carry out, as practicable, all efforts to link the issued sim cards enabling the service provider to monitor the total value of the transactions performed within a day.

- 3.1.5. The MVTS provider shall endeavour to identify, as far as practicable, beneficial ownership of funds transferred, and be mindful of series of linked transactions, if any.
- 3.1.6. Such reports as is required to be provided to the FIU should be forwarded through the LankaFIN online reporting system on a fortnightly basis, in the specimen formats given in Annex-I.
- 3.1.7. Reports for the period from 1<sup>st</sup> to 15<sup>th</sup> day of each month shall be forwarded to the FIU on or before the 30<sup>th</sup> day of the month and the reports for the balance period of each month shall be forwarded to the FIU on or before the 15<sup>th</sup> day of the subsequent month.
- 3.2. If any MVTS provider has reasonable grounds to suspect any transaction or attempted transaction related to any unlawful activity, such MVTS provider shall file a suspicious transaction report (STR) to the FIU following the procedure provided for such filing under FTRA and these guidelines.
- 3.3. Every MVTS provider should have appropriate systems to flag unusual movements of funds or transactions and scrutinize such funds or transactions in a timely manner in order to determine as to whether the funds or transactions are suspicious.
- 3.4. All MVTS providers are required to submit STRs through the LankaFIN online system, in the specimen formats given in the Annex-II.
- 3.5. The absence of required information on the originator or the beneficiary should be considered as a factor in assessing whether a transaction involving electronic funds or wire transfer is suspicious and whether it is required to be reported to the FIU.
- 3.6. Every MVTS provider shall maintain and update a list of its agents, sub-agents and/or merchants within Sri Lanka or outside Sri Lanka (if any) and provide access to such lists to the FIU on request.
- 3.7. Every MVTS provider shall have in place an adequate management information system (MIS), either electronically or manually, to complement its CDD process. The MIS is required to provide timely information on a regular basis to enable the reporting institution to detect irregularity of transactions and/or any suspicious activity.

- 3.8. MVTs providers should not misuse any innovation by way of technological advancements provided for the benefit of their customers where such misuse shall amount to a violation of KYC/CDD practices and any rule issued by the FIU.
- 3.9. In the case of a MVTs provider having foreign agents, sub agents and/or merchants, the service provider is required to ensure that such agents/subagents/merchants apply AML/CFT measures in a manner that is consistent with the AML/CFT requirements set out in Sri Lankan laws and rules and regulations issued under such laws.
- 3.9.1. On an occasion where minimum AML/CFT requirements of a foreign jurisdiction are less stringent than those of Sri Lanka, the MVTs provider must apply AML/CFT requirements under the Sri Lankan jurisdiction.

#### **4. Risk Management Functions**

- 4.1. In the context of the “Risk Based Approach”, the intensity and extensiveness of risk management functions shall be proportionate to the nature, scale and complexity of the MVTs provider’s activities and ML/TF risk profile. Accordingly, MVTs providers are required to apply CDD requirements to customers on the basis of materiality and risk.
- 4.2. Every MVTs provider is required to:
- (a) Carry out necessary analysis and identify ML/TF risks prevalent within its organization and operations;
  - (b) Have policies, controls and procedures to manage and mitigate ML/TF risks that have been identified;
  - (c) Monitor the implementation of those policies, controls, procedures and to enhance them if necessary; and
  - (d) Take enhanced measures to manage and mitigate the risks where higher risks are identified.
- 4.3. All MVTs providers are required to identify and assess the ML/TF risks that may arise in relation to the development of new business practices, including new delivery mechanisms and the use of new or developing technologies for both new and pre-existing customers.

## **5. Employees/Agents/Sub-agents Screening Procedures**

- 5.1. MVTS providers are required to establish employee/agent/sub-agent/merchant assessment system and screening procedures that are commensurate with the size of its operations and the risk exposure of the reporting institutions to ML/TF activities.
- 5.2. The screening procedures shall apply upon hiring the employees/agents/sub-agents/merchants and should prevail throughout the course of the employment/agency.
- 5.3. MVTS providers are required to conduct awareness and training programmes on AML/CFT practices and measures for their employees. Such training must be conducted regularly and supplemented with refresher courses.
- 5.4. MVTS providers are responsible to ensure that all their agents, sub agents and merchants adhere to AML/CFT policies and procedures and should conduct regular independent audits to determine effective implementation of AML/CFT compliance.

## Annex I

### FIU Data Reporting Format for MVTS

FIU expects two electronic files for:

1. Incoming Electronic Fund Transfers
2. Outgoing Electronic Fund Transfers

#### 1. Incoming Electronic Fund Transfers (To Sri Lanka)

All the electronic fund receipts above the specified threshold should be reported according to the specifications given below.

Field Name	Data Type	Mandatory	Comment
BankCode	Number(4)	YES	Institution Code issued by FIU (NNNN)
ValueDate	Number(8)	YES	YYYYMMDD
			Eg. 20160305 instead of 2016/03/05
			Date money received
ValueFCY	Number(16,2)	YES	Amount in local or foreign currency
Curcode	Text(3)	YES	Currency Code
ValueRs	Number(16,2)	YES	Sri Lanka Rupee Amount (LKR)
TxnDetails	Text(120)	YES	Purpose
SenderName	Text(75)	YES	Full Name/ Name with initials - of the sender
SenderAddress	Text(150)	YES	Sender's address
SenderBusiness	Text(50)	NO	Sender's nature of business/ Profession/ Vocation
SenderAgentID	Text(12)	YES	Code/ID of sub agent

PayoutType	Text(50)	YES	Type of Pay out/ Delivery option, Eg: Cash at an agent location, Deposit into a mobile wallet, Deposit into a bank account etc.
SenderCountry	Text(150)	YES	Sender's country
ReceiverAgentID	Text(12)	YES	Code/ID of sub agent
ReceiverAccNo	Text(30)	NO	
ReceiverName	Text(75)	YES	Full Name/ Name with initials - of the receiver
ReceiverID	Text(30)	YES	NIC or Business Registration Number
ReceiverAddress1	Text(75)	YES	
ReceiverAddress2	Text(75)	YES	
ReceiverAddress3	Text(75)	NO	
ReceiverBusiness	Text(75)	YES	
TranReference	Text(30)	YES	Transaction Reference. A unique identification code to identify the transaction.

## 2. Outgoing Electronic Fund Transfers (Out of Sri Lanka)

All outgoing electronic payments above the specified threshold should be reported according to the specifications given below.

Field Name	Data Type	Mandatory	Comment
BankCode	Number(4)	YES	Institution Code issued by FIU (NNNN)
ValueDate	Number(8)	YES	YYYYMMDD
			Eg. 20160305 instead of 2016/03/05
			Date of money sent
ValueFCY	Number(16,2)	YES	Foreign Currency Amount
Curcode	Text(3)	YES	Currency Code
ValueRs	Number(16,2)	YES	Sri Lanka Rupee Amount (LKR)
TxnDetails	Text(120)	YES	Purpose
SenderAgentID	Text(12)	YES	Code/ID of sub agent
SenderAccNo	Text(30)	NO	
SenderName	Text(75)	YES	Full Name/ Name with initials - of the sender
SenderID	Text(30)	YES	NIC or Business Registration Number
SenderAddress1	Text(75)	YES	
SenderAddress2	Text(75)	YES	
SenderAddress3	Text(75)	NO	
SenderBusiness	Text(50)	YES	Sender's nature of business/ Profession/ Vocation
ReceiverName	Text(75)	YES	Full Name/ Name with initials - of the receiver
ReceiverAddress	Text(75)	YES	
ReceiverBusiness	Text(75)	NO	

ReceiverAgentID	Text(12)	YES	Code/ID of sub agent
PayoutType	Text(50)	YES	Type of Pay out/ Delivery option, Eg: Cash at an agent location, Deposit into a mobile wallet, Deposit into a bank account etc.
ReceiverCountry	Text(150)	YES	Receiver's country
TranReference	Text(30)	YES	Transaction Reference - A unique identification code to identify the transaction.

**Annex II - Suspicious Transaction Report (STR)**

<b>SUSPICIOUS TRANSACTIONS REPORT</b>		
<p>a. This report is made pursuant to the requirement to report suspicious transactions under the Financial Transactions Reporting Act, No.6 of 2006 (FTRA)</p> <p>b. Under Section 12 of the FTRA, no civil, criminal or disciplinary proceedings shall be brought against a person who makes such report in good faith.</p> <p>c. Informing the suspicion to the customer or to any other person constitutes a punishable offence for violating Section 9 of FTRA.</p> <p>d. This schedule is applicable to,</p> <ul style="list-style-type: none"> <li>i. Institutions licensed under the Banking Act, No. 30 of 1988 and carrying on money value transfer services business;</li> <li>ii. Institutions licensed under the Finance Business Act, No. 42 of 2011 and carrying on money value transfer services business;</li> <li>iii. Any institution carrying on money or value transfer service business as permitted under the Exchange Control Act, No. 24 of 1953;</li> <li>iv. Any operator of mobile phone based e-money system, licensed in terms of the Payments and Settlement Systems Act, No. 28 of 2005;and</li> <li>v. Any other institution identified by the FIU as providing services similar to money or value transfer services within the country.</li> </ul>		
<b>PART A - DETAILS OF REPORT</b>		
1	Name of Institution	
2	Type of Business	
3	Date of Sending Report	
4	Is this a replacement to an earlier report? (Y/N)	
5	Previous Reference No. if this is a replacement report?	
<b>PART B - INFORMATION ON SUSPICION</b>		
6	Name in Full (if organization, provide registered business/organization name)	
7	Residential / Registered Address	
8	NIC No. / Passport No / Driver's License No. / Business Registration No. / Any	

	Other ID Issued by Govt. Agency			
9	Nationality			
10	Gender :	Male		Female
11	Country of Residence (If an individual )			
12	Business/ Employment Type			
13	Occupation (Where appropriate, principal activity of the person conducting the transaction)			
14	Name of Employer (Where applicable)			
15	Contact Details			
16	Last Review Date			
<b>PART C - DESCRIPTION OF SUSPICIOUS TRANSACTION / ACTIVITY</b>				
17	Account Number / Policy Number / Invoice Number/ Any Other Reference Number (If applicable)			
18	Location/ Address (where suspicious transaction/ activity took place)			
19	Frequency of Transactions			
20	Suspicious Transaction Date			
21	Currency Code			
22	Total Amount Involved in Suspicious Transaction (Rs.)			
23	Amount in Foreign Currency (If applicable)			
24	Mode of Payment (Cash/ Fund Transfer / Cheque/ Other)			
25	Beneficiary of Transaction, If any			
26	Related Bank Account Details (If applicable)			

27	Other Details of Transaction / Activity
28	Selected Grounds/ Reasons for Suspicion – any other grounds for suspicion

### **PART D - DETAILS OF REPORTING PERSON**

27	Date of Reporting	
28	Name of Reporting Person / Agency	
29	NIC Number	
30	Designation / Occupation	
31	Address	
32	Contact Details	
33	Signature and Official Stamp	

In order to comply with the legal requirements of the FTRA, reporting institutions are required to submit certified copies of completed suspicious transaction report (STR) to the Financial Intelligence Unit.

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