

A Recent Incident of Attempted Wire Transfer Fraud Highlighted the Importance of Undertaking Proper KYC/CDD

As per the Section 2(2) of the Financial Transactions Reporting Act No 6 2006 (FTRA), all financial institutions have to identify and verify the identity of all their customers based on the Know Your Customer/ Customer Due Diligence Rules (KYC/CDD) issued by the Financial Intelligence Unit (FIU) Sri Lanka .

Further, as per the Section 7 of the FTRA, every financial institution is required to file a suspicious transactions report with the FIU promptly if it identifies any transaction which is unusual/suspicious.

In the above context, all financial institutions in Sri Lanka have taken measures to fully implement the KYC/CDD requirements on their customers. As a result of these measures, one of the Licensed Commercial Banks was able to identify immediately and prevent being processed an unusual inward remittance to a company locally registered as 'Shalika Foundation". As per the customer identification details available with the bank, the company has been formed for charitable purposes and the inward remittance of USD 20 mn to be credited was unusual compared with the customer profile. Further, the bank identified that name of the accounts holder has been misspelled. Based on the initial suspicion, the bank took measures to file a suspicious transaction report with the FIU and verify the transaction details with the fund remitter and stop the fraudulent payment.

Proper identification of the customer by the bank prevented Sri Lanka being a party to an international organized crime and highlights the importance of fully implementing KYC/CDD requirements by the financial institutions.