

8. TERRORIST FINANCING RISK ASSESSMENT

TF risk is assessed as **Medium**. TF risk is derived based on TF threat, Sectoral TF risk, and TF vulnerability, which are further discussed in detail hereafter.

8.1 National Terrorist Financing Threat Assessment

The TF threat, which is considered under four elements: the domestic TF threat, outgoing TF threat, incoming TF threat and transit TF threat, is assessed as **Medium** based on six aspects as outlined below.

8.1.1 Terrorist Financing Threat which Stems from the Level of Active Terrorist Threat in the Country

On Easter Sunday in 2019, Sri Lanka faced a sudden attack from an extremist group which was the most severe terrorist activity in Sri Lanka since the Liberation Tigers of Tamil Eelam (LTTE) was defeated militarily in 2009. Following the attack, the Sri Lankan authorities have initiated multiple measures from the lessons learned. The country's intelligence services have maintained continuous vigilance to detect any possible terrorist activities. For instance, as an immediate response, the government issued a gazette notification proscribing 11 extremist terrorist organizations.

The investigation into the TF aspects of the Easter Sunday attacks was conducted through various means, including financial intelligence gathering, tracing the financial transactions of the attackers, and cooperation with international counterparts. Sri Lanka's FIU, which is responsible for collecting, analyzing, and disseminating financial intelligence to combat ML, TF, and other financial crimes, played a crucial role in the investigation. The FIU worked closely with other law enforcement agencies, including the CID and the CTID, to identify and track the sources of funding for the attacks. This involved analyzing financial transactions, conducting forensic accounting, and tracing the movement of funds through various channels, including banks, informal money transfer networks, and other financial institutions. The investigation also involved international cooperation, as it was suspected that the attackers had received support from international terrorist networks. Sri Lanka sought assistance from foreign governments and international organizations in sharing intelligence, conducting investigations, and freezing assets linked to TF. This collaborative approach helped in identifying and disrupting the funding sources and networks that supported the attackers.

As a result of the investigations, several individuals and entities were identified and arrested in connection with the suspicion of TF related to the Easter Sunday attacks. Assets and funds suspected of having links to TF were frozen, and measures were taken to prevent the further flow of funds to terrorist networks. The investigation into the TF aspects of the Easter Sunday attack highlighted the importance of robust financial intelligence gathering, effective cooperation among LEAs, and international collaboration in CFT. It also underscored the need for ongoing efforts to monitor and disrupt the flow of funds to terrorist networks, both domestically and internationally, to prevent further attacks and dismantle their financial infrastructure.

However, no significant terrorist activity has been reported in the country since the Easter Sunday attack. This indicates that the trend of terrorism threat is decreasing. Further, the State Intelligence Service (SIS),

the intelligence units of the three forces (Army, Navy, and Air Force) and intelligence units attached to the Sri Lanka Police have constantly been initiated to look for terrorist activities. Also, the CTID attached to the Sri Lanka Police is conducting investigations based on information received regarding past terrorist activities and potential terrorist activities in the future. As a result of such activities carried out by these intelligence and investigation units, Sri Lanka has developed avenues to gain prior awareness of possible terrorist activities and to promptly take action upon them in the future.

In the intelligence agencies' view, the current terrorism threat level is low. Except for the Easter Sunday incident, the deaths caused by terrorist activities for the assessment period is extremely low, the level of ancillary activities to terrorist acts in the country in the last five years was identified at a low level, and there had been minimal reported terrorist activities in Sri Lanka over the past five years.

The Easter Sunday attack in 2019 caused Sri Lanka to move up 35 places in the Global Terrorism Index (GTI) ranking¹ for 2020, placing the country at 20 (Increasing the position of a country on the GT Index indicates a high impact of terrorism). However, in 2021, the country was ranked 25, and in 2022 the country was ranked 29, which shows a decreasing threat of terrorism in the country.

Sri Lanka has established mechanisms to obtain advanced information on possible terrorist threats from other countries. There is no confirmed information on the presence of foreign terrorist fighters in Sri Lanka. Additionally, there are no deaths occurred in Sri Lanka due to cross-border terrorist activities.

8.1.2 Terrorist Financing Threat Arising from Terrorist Persons, Groups, and Organizations

Under the United Nations Security Council Resolution (UNSCR) 1373, 18 entities and 577 individuals have been designated during the assessment period (15 entities and 316 individuals as of August 01, 2022), and these entities and people are mainly related to the LTTE and other extremist groups that are banned in Sri Lanka. Over the last five years, the LTTE organization and 13 extremist groups have been identified as posing a threat to the country's national security and banned by the Prevention of Terrorism (Proscription of Extremist Organizations) Regulations, No. 2 of 2021 and Prevention of Terrorism (Proscription of Extremist Organizations) Regulations, No. 1 of 2019, which were issued under section 27 of the Prevention of Terrorism (Temporary Provisions) Act, No. 48 of 1979 in Sri Lanka.

8.1.2.1 The funding needs of LTTE were found to be low.

There were some reported activities which were done to show that LTTE may still be active, such as purchasing vehicles, attempts to recover war equipment buried during the war, and possibly gathering people connected to LTTE in foreign countries, which may require funding.

1 The Global Terrorism Index (GTI) is a comprehensive study analyzing the impact of terrorism for 163 countries covering 99.7 per cent of the world's population.

The GTI report is produced by the Institute for Economics and Peace using data from Terrorism Tracker and other sources. The GTI produces a composite score so as to provide an ordinal ranking of countries on the impact of terrorism. The GTI scores each country on a scale from 0 to 10; where 0 represents no impact from terrorism and 10 represents the highest measurable impact of terrorism.

<https://www.visionofhumanity.org/maps/global-terrorism-index/#/>

8.1.2.2 The funding needs of other extremist groups were found to be low.

In terms of other extremist groups, before the Easter Sunday attack, some of these organizations conducted programmes and lectures to spread their ideology across the Island. They mainly needed money for planning, propagandizing, and training. However, after the Easter Sunday attack, no such activities were observed.

8.1.2.3 The fundraising activity of LTTE was found to be minimum.

According to investigations, there is no evidence of money being collected for LTTE activities in Sri Lankan territory.

8.1.2.4 The fundraising activity of other extremist groups was found to be minimum.

In relation to other groups – no fundraising activities have been identified after banning the extremist groups. However, possible grants from sympathizers, self-funding, and possible assistance from NGOs are suspected as possible fundraising sources before banning.

8.1.2.5 The type of assets used by the LTTE was found to be limited.

As per the intelligence information by SIS, during the post-war period, there have been attempts by the LTTE members to use drones.

8.1.2.6 The type of assets used by the other extremist groups was found to be limited.

Concerning other extremist groups, they have been observed using cash and some goods that may be strategic in nature in their operations before the Easter Sunday attack. As per the information by the SIS, chemicals such as nitric acid, sulfuric acid, sulphur, and urea were utilized by the Easter Sunday attack group to produce explosive devices. They also used drones² for reconnaissance. However, information about such activities was not reported after the attack.

8.1.2.7 Channels used to transfer funds by the LTTE was found to be medium.

Regarding the channels used to transfer funds, investigations have revealed some instances where LTTE activists in other countries have transferred money to banks and people in Sri Lanka who had connections with LTTE, using money remittance services.

8.1.2.8 Channels used to transfer funds by other extremist groups were found to be medium.

Concerning other extremist groups, following the banning of the extremist groups, the court suspended bank accounts suspected of being used by extremist groups. Further, there is no evidence that funds are currently being transferred in connection with terrorist activities.

Based on the above reasons, the domestic and cross-border TF threat posed by terrorist organizations, groups, and individuals who have been designated or for whom reasonable grounds exist to believe they are engaging in terrorist operations in the country is rated as medium and expected to remain same in the near future.

2 An unmanned aerial vehicle (UAV), commonly known as a drone, is an aircraft without any human pilot, crew, or passengers on board

8.1.3 Terrorist Financing Threat Associated with Sympathizers

The Easter Sunday attack demonstrated that individual radicalization and extremist ideology were a threat in the country. According to SIS information, all of the suicide bombers involved in the Easter Sunday attack were Sri Lankan citizens affiliated with an extremist group that was banned after the attack. They had promoted an “Islamist State Ideology” to create a global jihadist movement in Sri Lanka. They had connections with international terrorist organizations and individuals who preached violent extremism. Further, they conducted workshops and training camps to educate military activities. However, with the security measures taken following the Easter attack, such activities have been reduced significantly within the country. As per CTID, there have been a number of investigations relating to possible TF-based suspicions. However, there have been no prosecutions or convictions initiated against any person or entity based on the findings of investigations regarding the financing of terrorists. There are currently no active terrorist geographical areas in Sri Lanka, and accordingly, inward remittances to a specific geographical area cannot be identified as suspicious. The domestic TF threat stemming from the persons in the Sri Lankan population that may be sympathetic to terrorist persons or ideology can be assessed as medium with a decreasing trend compared to past years. The cross-border threat can also be assessed as medium and expected to remain the same in the near future.

8.1.4 Terrorist Financing Threat Arising from Active Terrorist Threat in Neighbouring Countries

According to information from the country's intelligence agencies, there is no information that Sri Lanka is experiencing terrorist threats from other countries in the region, including India, despite India being ranked 13th out of 163 countries as per the GT Index for the year 2022. As a result, incoming TF threat from the active terrorist threat of neighbouring jurisdiction is rated as medium while outgoing TF threat from active terrorist threat is rated as low, and both incoming and outgoing TF threat is expected to remain the same in the near future.

8.1.5 Terrorist Financing Threat Arising from being a Finance and Trade Hub

TF threat arising from being a finance and trade hub is rated as medium, and the trend for this variable can be identified as increasing with the proposed Colombo Port City, which is expected to become a regional financial hub in the future. According to the latest statistics, it can be inferred that Sri Lanka does not function as an international or regional financial hub or as a significant trading jurisdiction. However, Sri Lanka can be considered a major transshipment hub. As per the statistics of the Sri Lanka Export Development Board, the Port of Colombo has reported transshipment volume accounted for more than 75 per cent of the total container quantity, which shows a significant level of transshipment (Transshipment incidence above 50 per cent is generally considered to be a significant level of transshipment). In addition, India, a neighbour in close proximity and a country with a higher terrorist threat as per the GT Index is a major trading partner of Sri Lanka. It is known that the volume of goods that flow through trade hubs generally makes enforcement against illicit activities and detection of suspicious activities harder. This may be of particular relevance if the Country, neighbouring countries, or major trading partners experience an active terrorist threat. Accordingly, as India is a major trading partner and neighbour of Sri Lanka, there might be a possibility for the country to face a TF threat emanating from India.

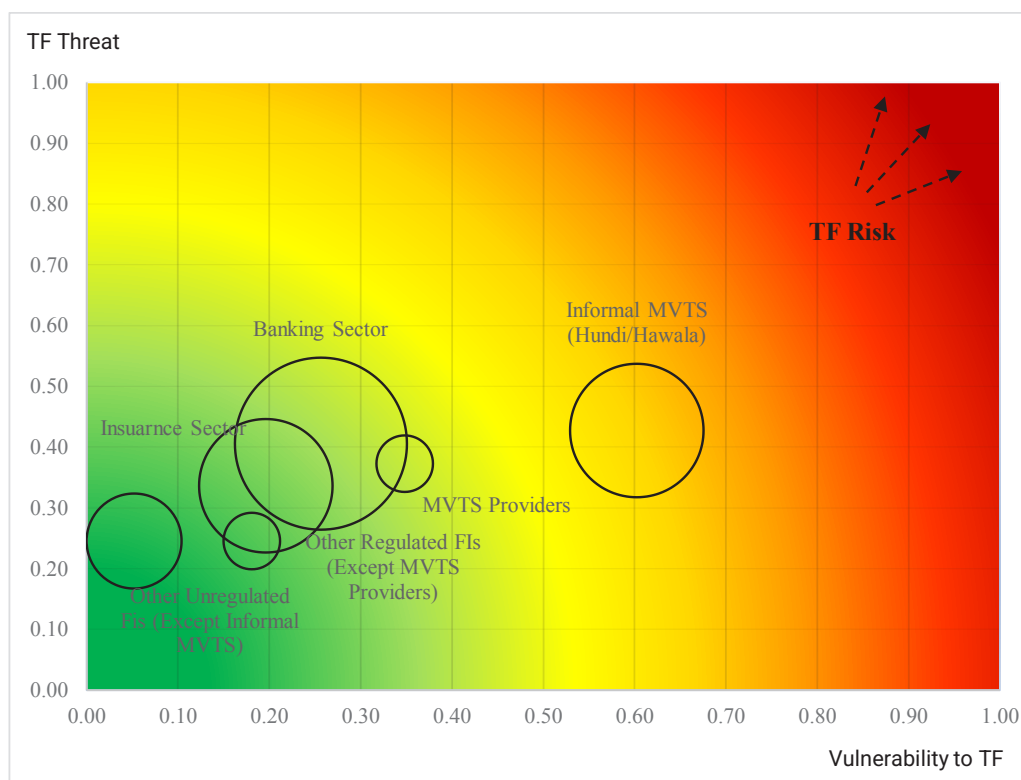
8.1.6 Terrorist Financing Threat Arising from Providing Strategic Goods and Services to Active Terrorist Threat Area

As per the information received from intelligence agencies, currently, there are no areas in Sri Lanka that have been identified as active terrorist threat areas since the military defeat of the LTTE, which had control of over 70 per cent of the landmass in the Northern and Eastern Provinces. Further, as per the information on the Sri Lanka trade information portal, before importing goods into Sri Lanka, importers should ensure that those goods do not fall into the category of prohibited goods. Prohibited goods cannot be imported, exported, transited, sold, or circulated in Sri Lanka. The Ministry of Defence (MOD) controls the import of firearms and ammunition for use by the armed forces, Police, and civil security. Further, certain military-related or dual-use items are prohibited or controlled. Furthermore, explosives and minerals in raw forms are under the items prohibited for export from Sri Lanka³. Hence, the impact of importing and exporting strategic goods and services to areas with an active terrorist threat on the domestic TF threat can be identified as low. The trend for this variable is expected to remain the same in the near future.

8.2 Sectoral Risk Assessment

The Sectoral risk assessment indicated the informal MVTS (Hundi/Hawala) sector as the highest possible TF risk sector in Sri Lanka. The most important sector is the Banking Sector. However, the TF risk level of the sector was found to be at a lower level. Additionally, the sectoral TF risk of the other sectors found to be low (Other Regulated FIs (except MVTS Providers), MVTS Providers, Other Unregulated FIs (except Informal MVTS), Security Sector and DNFBP sector).

Figure 1: Terrorist Financing Risk Heat Map of each Sector



3 <https://www.srilankabusiness.com/pdf/export-procedure-21-10-2014.pdf>

NPO Sector: As per the final ratings of the module, no NPO category has exceeded the medium rating in respect of threat, where all six categories ranged between low to medium (vide Identifying the Categories of NPOs at Risk of Abuse for TF). Hence, NPO Sector is not considered in this TF Risk Assessment.

8.3 National Terrorist Financing Vulnerability of Sri Lanka

8.3.1 National Combating Ability

Sri Lanka has taken several measures to enhance its TF combating ability in recent years. The country has enacted legislation to criminalize TF and implement international standards for AML/CFT. In 2007, FIU was established under the CBSL to strengthen the country's AML/CFT regime. Sri Lanka has also strengthened its cooperation with international organizations, such as the FATF and Asia Pacific Group on Money Laundering (APG), to enhance its TF combating ability. The country has undergone two Mutual Evaluations to assess its AML/CFT regime's effectiveness and has made progress in addressing identified weaknesses. Moreover, Sri Lanka's financial sector has taken measures to prevent the misuse of the financial system for TF. FIs are required to implement customer due diligence procedures, including enhanced due diligence measures for high-risk customers, and report suspicious transactions to the FIU.

The national TF combating ability is assessed with 23 input variables that assess the legal and regulatory framework, institutional framework, financial system integrity, international cooperation, risk assessment and management, NPO regulation and public awareness and outreach.

Accordingly, following ratings were arrived at for the 23 variables that determine national combating ability:

Very High: Availability and Effectiveness of TF Asset Forfeiture and Confiscation.

High: Criminalization of Terrorism and Terrorist Financing, Effectiveness of International Cooperation.

Medium High: Quality of CFT Policy and Strategy, Effectiveness of Customs Controls on Cash and Similar Instruments, Quality of FIU Intelligence Gathering and Processing for TF, Capacity and Resources for Financial Crime Investigations, Capacity and Resources for Financial Crime Prosecutions, Integrity and Independence of Financial Crime Prosecutors, Capacity and Resources for Judicial Processes, Integrity and Independence of Judges, Effectiveness of Domestic Cooperation, Effectiveness of Targeted Financial Sanctions (TFS) Legislation, Availability of Independent Information Sources, Availability and Access to BO information, Availability of Reliable Identification Infrastructure.

Medium: Effectiveness of Border Controls on Goods (incl. military and strategic goods), Effectiveness of Immigration Controls, Integrity and Independence of Financial Crime Investigators, Quality of Other Intelligence Agencies' TF Intelligence Gathering and Processing, Comprehensiveness of TFS Legislation, Controls on Provision of Strategic Equipment, Goods and Services to Conflict Zones.

Close to nothing: Formalization Level of Economy.

Based on the combating ability, the assessment concluded the national vulnerability to TF under four categories, which is shown below in Table 1.

Table 1: National Terrorist Financing Vulnerability of Sri Lanka

Category	Vulnerability to TF
Domestic TF Risk	Medium
Outgoing TF Risk	Medium
Incoming TF Risk	Medium
Transit TF Risk	Medium

When arriving at the above vulnerabilities, analysis of some of these variables is identical to the ML vulnerability, and they are not detailed in this report *vide* ML vulnerability (integrity and independence of judges, effectiveness of customs controls on cash and similar instruments, effectiveness of international cooperation, formalization level of economy, availability of reliable identification infrastructure, availability of independent information sources, and availability and access to BO information).

8.3.1.1 Quality of Countering the Financing of Terrorism Policy and Strategy

The country has implemented a comprehensive legal and regulatory framework to combat TF, which includes the CSTFA, the PMLA and the FTRA. Sri Lanka is updating the national AML/CFT policy as the existing CFT Policy and Strategy expired in 2020. During the NRA, the TF risk borne by the banking sector, insurance sector, securities sector, DNFBP sector, and other FIs has been assessed to fully understand the national TF risk. Further, a separate NPO TF risk assessment was also carried out, however the results of which were not incorporated into the overall sectoral TF risk assessment as it did not meet the required risk levels to be incorporated. Additionally, the assessment is conducted with the participation of all relevant stakeholder institutions under the leadership of NCC and in coordination with the FIU.

In Sri Lanka, the National Security Council (NSC) acts as the apex body coordinating intelligence agencies and other agencies related to Terrorism and TF. As per the National Security Council Regulations, No. 1 of 1999, the NSC is the high-level inter-agency coordinating authority that maintains national security. The head of the NSC is the President of the country, who acts as the Commander-in-Chief of the armed forces. The NSC meets regularly on matters related to national security, which include Terrorism and TF. National policies and implementation programmes for terrorist de-radicalization is formulated and implemented through the NSC. The WG assessed the CFT policy and strategy quality as medium high.

8.3.1.2 Effectiveness of Terrorist Financing Crime Definition

The criminalization of TF in Sri Lanka is covered by the provisions of the CSTFA and its subsequent amendments in 2011 and 2013. While the law comprehensively defines TF, minor amendments are required to cover the full scope of individuals traveling abroad for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training. Punishments for TF offences include a minimum of fifteen to a maximum of twenty years' imprisonment and a fine, without a specified limit.

Criminal penalties can be applicable to appropriate offences ancillary to the offence of TF and to both natural and legal persons. Since criminal penalties are available for legal persons, the Act does not provide for civil or administrative sanctions that can be applied to them. The penalties for TF are proportionate and dissuasive. The death penalty is prescribed in limited circumstances relating to offences against the State, Murder, serious offences involving narcotics, and offences under the Army, Navy, and Air Force Acts, respectively. However, in Sri Lanka, capital punishment sentencing practically converted to a life sentence of imprisonment. Other serious offences carry an imprisonment sentence of either description to a maximum of 20 years, with only certain offences containing a prescribed minimum mandatory sentence. A Fine is prescribed in respect of certain offences. Thus, in comparison, sentences prescribed for TF offences are relatively stringent.

However, due to the minimum mandatory term of imprisonment being laid down, the possibility of imposing suspended sentences is curtailed, *vide* Section 303(2)(a) of the CCPA. The Judges do have a wide range of sentencing tools (e.g., fines and imprisonments, the magnitude or tenure of which increases with the severity of the offence, number of offences and other factors). However, as per legal experts, there is no sentencing guidelines system in Sri Lanka. Specific guidelines on general sentencing are laid down in case law. The said guidelines may be adopted, considering the TF offences' unique nature. Sri Lanka does have a range of legislations to combat the phenomenon of TF. However, as observed above, some of the aspects may be improved. Further, as per CTID, the investigations conducted have not led to any instances where cases have been filed in the courts in the assessment period under this legislation. Therefore, these deficiencies should be addressed. Further, more action needs to be taken to effectively use the available laws in filing cases before the courts. Based on the above, the effectiveness of the TF crime definition is assessed as high.

8.3.1.3 The Comprehensiveness of Asset Forfeiture Legislation

In Sri Lanka, the following laws and gazettes are used to confiscate properties involved in terrorist activities.

1. Convention on the Suppression of Terrorism Financing Act, No. 25 of 2005 (CSTFA) [as amended by Act, No. 41 of 2011 and Act, No. 3 of 2013]⁴.
2. Prevention of Terrorism Act, No. 48 of 1979 (PTA)⁵.
3. Extraordinary Gazette No. 1721/02 dated 29.08.2011⁶.
4. Prevention of Terrorism (Proscription of Extremist Organizations) Regulations No. 1 of 2019⁷.
5. Prevention of Terrorism (Proscription of Extremist Organizations) Regulations No. 2 of 2021⁸.
6. Prevention of Money Laundering Act, No. 05 of 2006 (PMLA)⁹.

4 Section 5(1) of the CSTFA

5 Section 4 of the PTA

6 Section 6(1) under the conditions of banning the LTTE organization and Section 7(1) under the conditions of banning the Tamil Rehabilitation Organization of the said Gazette.

7 Section 7(1) of Extraordinary Gazette No. 2123/03 dated 13.05.2019 (Proscription related to easter Sunday attack in 2019).

8 Section 7 of Extraordinary Gazette No. 2223/03 dated 13.04.2021 (Proscription related to easter Sunday attack in 2019).

9 Section 7, Section 13(1) of the PMLA

The legislations and regulations above constitute the body of legislations that provides for the seizure, freezing, and forfeiture of assets used or intended to be used for TF. The CSTFA (as amended in 2011 and 2013) is the main law that deals with TF in Sri Lanka. However, the use of CSTFA for asset forfeiture was found to be very low. Following is the information with regard to the lands, buildings, vehicles and cash that have been confiscated as per the information revealed during the investigations carried out by CTID from 2014 to the time of the assessment.

Table 2: Details of Confiscated Assets

Asset Type	Details of the Assets
Land	1,896.18 perches (18 plots of land and 13 buildings on that land)
Vehicles	17 (includes 03 vans, 02 lorries, 08 motorcycles)
Cash	Rs.35,992,855.74 + USD 23,500

Source: Counter Terrorism Investigation Division

In conclusion, Sri Lanka has implemented a comprehensive legal framework for asset forfeiture to combat TF and other financial crimes. However, delays in the forfeiture process were found to be, in some instances, due to lacking resources and capacity within LEAs. The quality of asset forfeiture and confiscation mechanisms is assessed as very high.

8.3.1.4 Quality of Terrorist Financing Intelligence Gathering and Processing

This is an intermediate variable in which the impact of the following two variables is included.

(a) Quality of FIU Intelligence Gathering and Processing

FIU is well-structured, properly funded, and staffed with individuals who possess appropriate training and skills. The staff members of the FIU maintain high professional standards, and the institution is committed in maintaining and enhancing their capacity. It operates as an independent entity within the administrative structure of the CBSL. Moreover, the FTRA empowers the FIU to make autonomous decisions regarding the analysis, request for information, and/or dissemination of specific information.

- Suspicious Transaction Reporting

FIU received many STRs from RIs in relation to the 2019 Easter Sunday Bomb attack. In 2021, there was another spike in STRs related to ATM withdrawals and Debit card usage due to exchange rate disparities. Although initially suspected to be linked to TF, investigations revealed that these STRs did not have a TF element.

- Threshold Transaction Reports

RIs have been submitting CTRs, EFTs, and STRs online through the LankaFIN system. In 2021, more than 5.6 million CTRs and 9.2 million EFTs were received by the LankaFIN database from RIs. STRs are analyzed and disseminated to relevant LEAs or regulators for further investigation or regulatory action. The FIU is a member of the Egmont Group, and the FIU has the ability to detect cross-border activities.

- Analysis of Information and Dissemination of the Analysis Information to Law Enforcement Agencies

The financial data and information collected by RIs are analyzed by the Intelligence Management Division to identify trends and incidents related to ML/TF. The STR analysis process involves several steps, and the outcome of the analysis is disseminated to relevant LEAs after necessary deliberation.

A summary of possible TF related STRs disseminated from 2017 to 2022 is given in Table 3 below:

Table 3: Dissemination of Suspicious Transaction Reports related to Terrorist Financing

Year	2017	2018	2019	2020	2021	2022
Number of Disseminations	03	02	104	07	36	49

Source: Financial Intelligence Unit - Sri Lanka

Information and statistics on the FIU's TF-related information and intelligence-sharing with foreign counterparts and other relevant authorities are as follows;

Table 4: Terrorist Financing Related Information and Intelligence Sharing with Foreign Counterparts

Year	TF-related information and intelligence-sharing with foreign counterparts
2017	1 information request from a foreign counterpart related to TF has been attended.
2018	8 STRs have been raised for individuals related to TF based on information received from foreign counterpart.
2019	-
2020	1 Information request related to TF has been attended, and information has been disseminated to foreign counterpart through ESW.
2021	FIU Sri Lanka has made 2 information requests related to TF from foreign counterparts through the ESW.
2022	1 information request has been received from foreign counterpart and 3 requests have been made by FIU – Sri Lanka from foreign counterparts.

Source: Financial Intelligence Unit – Sri Lanka

FIU has the capacity to detect cross-border activities

The FIU has access to a system via which requests can be made to call for information on details of border control due to the MOU it has with the Department of Immigration and Emigration. The FIU has requested information related to passports/border control from the Department of Immigration and Emigration. The information received for such requests has been used for STR analysis and other intelligence purposes. The statistics of such information requests are as follows:

Table 5: Number of Requests to the Department of Immigration and Emigration

Year	2017	2018	2019	2020	2021	2022
Number of requests	07	178	269	76	68	70

Source: Financial Intelligence Unit – Sri Lanka

FIU intelligence gathering, and processing quality is rated as medium high.

(b) Quality of Other Intelligence Agencies Terrorist Financing Intelligence Gathering and Processing

The Office of the National Intelligence Division serves as the umbrella organization for the national intelligence agencies. Additionally, it performs evaluations, conducts assessments, and prepares reports, and offers other advice to the Secretary of Defence on matters pertaining to the national intelligence community. In carrying out the role, the Chief of National Intelligence (CNI) provides directions and issues guidelines to be followed by the national intelligence community or particular agencies within the community, including SIS, Military Intelligence, Naval Intelligence, Air Intelligence and other investigation and intelligence branches under the Sri Lanka Police. Each of the aforementioned intelligence agencies has a clearly defined role and set of tasks which vary depending on that role.

Legal framework and powers vested to intelligence services to deal with Terrorist Financing

The Cabinet of Ministers has approved drafting a new “State Intelligence Act” to empower intelligence personnel to carry out their duties. The Bill is already drafted, and the enactment of the proposed State Intelligence Act will provide legal coverage and power for conducting intelligence operations and activities to ensure national security. The quality of other intelligence gathering, and processing is rated as medium.

8.3.1.5 Quality of Terrorist Financing Investigation

The impact of the following two variables is included in this intermediate variable.

(a) Capacity and Resources for Financial Crime Investigations (including Asset Forfeiture)

The Sri Lanka Police is responsible for investigating crimes in Sri Lanka, including terrorism-related crimes. The CTID is a specialized unit within the Sri Lanka Police that investigates terrorism-related crimes, including TF. The CTID has a separate division called the Terrorism Financing Investigation Unit, which is currently understaffed but plans to recruit more officers. The CTID conducts investigations based on information gathered on its own and from other institutions, including the FIU, SIS, tri-forces’ intelligence units, and the instructions of the Inspector General of Police (IGP). Investigations to uncover information on TF are conducted by analyzing reports obtained from banks and other FIs, intelligence agencies, telecommunication service providers, the Department of Motor Traffic, the DRC, the NSNGO, etc. Furthermore, investigating officers conduct their investigations by interrogating and recording statements from numerous parties, as well as covert ground surveys and other methods. In terms of training, these investigators attend training courses both locally and internationally from time to time to improve their investigative skills.

The legal provisions in the CSTFA are used to investigate information received regarding the financing of terrorism. In addition, the Prevention of Terrorism (Temporary Provisions) Act, No. 48 of 1979) (PTA) and the Gazette Notifications issued on various occasions under Section 27 of the Act, the CCPA, and the Evidence Ordinance are used in investigations. Further, the PMLA and a few gazette notifications are applicable to the confiscation process in terrorist investigations.

Investigations into the financing of terrorism require obtaining reports and information from various agencies and seizing various items based on the lawsuits. In such cases, it is possible to seize property required for an investigation under Section 6 (1) of the PTA. Also, in some cases, court orders are obtained by reporting matters to the Magistrate's Court to get assistance from various institutions for investigations. In addition, assistance is obtained from the FIU in obtaining information from banks and other FIs. The INTERPOL police unit is also used to get assistance from police units of various countries. When considering what proportion of cases referred by investigators to prosecution, excerpts have been prepared and sent to the AGD for advice from the Attorney General regarding two investigations carried out by the Terrorism Financial Investigation Unit.

During the assessment period, the Colombo High Court suspended 41 bank accounts of 12 extremist organizations implicated in the CTID investigations.

Accordingly, this variable is rated as medium high.

(b) Integrity and Independence of Financial Crime Investigators (including Asset Forfeiture)

The CTID consists of 6 units, of which one deals specifically with TF, while the other divisions conduct terrorism-related investigations, and all units conduct AF depending on the circumstances of each case. TF and AF investigations are carried out independently by the investigators without influence. Investigators are required to respect human rights as laid down in the Constitution. If such limits are breached, the investigators are bound to be investigated and sued. Since 2015, the CTID has received 427 complaints regarding potential TF, of which 379 are still under investigation and 47 have already been completed. However, only two of the cases have been referred to the AGD for the Attorney General's instruction to proceed further. Additionally, no cases have proceeded to court yet. As per the CTID, the main reasons for such delays are staff issues in the CTID and delays in the prosecution due to the large number of cases AGD handles. It was also observed that there is no dedicated unit in the AGD to exclusively handle TF-related cases. AF is carried out by the Courts or MOD after a due investigation, and the CTID ensures that these assets are not forfeited without due process. Further, assets that have been forfeited are prevented from being misused. The WG noted that during the assessment period, the CTID initiated several investigations and proceeded to forfeit numerous assets.

As per the integrity of the TF investigator, there have been no incidents where investigators have been found guilty of issues with integrity. Considering the above reasons, this variable is rated as medium.

8.3.1.6 Quality of Terrorist Financing Prosecution

This intermediate variable includes the impact of the following two variables.

(a) Capacity and Resources for Financial Crime Prosecutions (including Asset Forfeiture)

Structure, human resources, and skills of the prosecution

In terms of prosecution, there had been issues related to structure and a vacuum of experienced staff due to various reasons. However, during the assessment period, various measures have been taken to improve this, which can be termed as work in progress. The AGD has around 200 staff working for the prosecution during

the assessment period. Further, the AGD has constituted a team headed by a very senior officer with extensive prosecutor experience and expertise in dealing with financial crimes. This unit consists of 13 officers who can advise on TF crimes. In terms of staff, there are plans to increase the number of prosecutors who handle the TF cases exclusively in future.

Accessibility to information

The prosecutor has sufficient access to the documents and statements of witnesses before the prosecution. In the investigations, investigators seek legal advice from the prosecutors on the admissibility of the evidence gathered by them. In such instances, the investigators are being directed to the Government Analyst, the Information and Communication Technology (ICT) experts, Sri Lanka Computer Emergency Readiness Team (CERT), the School of Computing at the University of Colombo, the IT Faculty at the University of Moratuwa, forensic auditors, etc. Accordingly, in the Tamils Rehabilitation Organisation (TRO) case, the University of Colombo School of Computing provided their expert opinion on the contents of the CDs recovered, which contained the amounts and the details of the funds disbursed.

Skills and knowledge of TF

The prosecutors in charge of TF cases in Sri Lanka are educationally and professionally qualified as Attorneys-at-Law. However, neither the local Universities nor Sri Lanka Law College offers the subject of TF or any related subject in their curriculum. They acquire knowledge through experience, capacity-building programmes, and training provided by foreign and local experts. Junior prosecutors are also being trained under experienced prosecutors to expand the number of prosecutors familiar with TF. Periodical training is conducted for capacity-building purposes. To overcome the challenges associated with TF prosecution, further and regular training is required.

Accordingly, this variable is rated as medium high.

(b) Integrity and Independence of Financial Crime Prosecutors (including Asset Forfeiture)

This variable is assessed in consultation with the ML Vulnerability WG and participants of the AGD. Prosecutors have been able to discharge their obligations free from political interference.

Safeguards for the integrity of prosecutors.

The recruitment process for prosecutors has stringent criteria and scrutiny, including a three-year probation period to assess competence and character. The AGD has a system of supervision and a work culture that focuses on upholding integrity and ethical conduct.

According to the provisions set out in the CCPA, prosecutors are not allowed to have consultations or meetings with lay witnesses other than the official witnesses such as investigating officers, public professionals, and forensic experts. Therefore, there is no capability of interfering with the integrity of the prosecutors regarding any trial with this limited exposure to the witnesses in cases. The State Counsel must observe general rules set by the Supreme Court relating to the conduct and etiquette of Attorneys-at-Law. A breach of such rules could potentially result in suspension or disenrollment. The department is also bound by the rules of the

Establishments Code, and the Attorney General may issue circulars to maintain the integrity of officers. A landmark judgment of the Supreme Court, i.e., LRC vs Grand Central [1981 (1) SLR 250] captures the unique constitutional role of the Attorney General and emphasizes the need to avoid a conflict of interest. This case is considered a guide to officers of the Attorney General's Department on the question of integrity and avoiding every apprehension of bias.

Prosecution of TF without interference

The general anxiety of the government to prosecute all aspects of terrorism has meant that prosecutors have been able to discharge their obligations free from political compulsion. The Sri Lankan AGD is not politically influenced in the prosecution of terrorism cases. The department does not delay or hasten cases for anyone's benefit but may prioritize contentious cases that cause public concern. Therefore, this variable is rated as medium high.

8.3.1.7 Capacity and Resources for Judicial Processes (including Asset Forfeiture)

The Judges who preside over TF cases can function effectively in Sri Lanka. Judges who oversee cases related to TF are High Court Judges, who are promoted to this position after gaining years of experience.

TF Case proceeding before Courts

TF is a criminal offence under the provisions of the CSTFA in Sri Lanka, and cases related to TF are tried in the High Court. The Criminal Procedure Code Act, No. 15 of 1979, governs the proceedings of TF cases in court. Sri Lanka has a victim-centric prosecutorial system. Accordingly, an indictment is served on the accused, and if he pleads not guilty, the prosecutors prosecute him, and thereafter, the lawyer of the accused can commence his case, and at the end of the trial, the judge decides whether the accused is guilty of the offence of terrorist financing or not. If guilty, the judge punishes the accused in terms of Section 3 of the CSTFA.

Specialization in financial crimes

As per the provisions of the Judicature Amendment Act, No. 9 of 2018, Permanent High Court at Bar was established to hear, try and determine matters in respect of financial and economic offences including offences under the CSTFA.

Three judges nominated by the Chief Justice from among the judges of the High Court sit together to hear these cases. The Permanent High Court at Bar has jurisdiction in respect of offences committed in Sri Lanka as well as outside the territory of Sri Lanka. The Minister by Order published in the Gazette with the concurrence of the Chief Justice can designate Permanent High Court at Bar for any Province.

Skills of Judges

The Sri Lankan judges maintain the necessary skills and experience to adjudicate TF cases. TF cases are heard by High Court Judges. An Attorney-at-law can enter the judiciary as a Magistrate with a minimum of 5 years of active practice and higher education (Master's degree in law). They should also pass a competitive examination. The judges are being trained by Sri Lanka Judges' Institute (SLJI). Considering their seniority,

integrity, skills, and knowledge, Magistrates can be subsequently promoted as District Court Judges and High Court Judges.

Training

All the judges and judicial officers, including High Court Judges, District Judges, and Magistrates, are subjected to workshops and seminars on financial crimes. SLJI organizes training programmes in collaboration with international institutions and organizations. Often, resource persons are superior court judges of Sri Lanka and judges and prosecutors of other countries, including the UK and USA. The programmes are usually conducted as residential workshops. Methodology of teaching includes discussions, group activities, studying of case scenarios, and mock trials. Materials are prepared in consultation with those institutions and the resource persons.

Additionally, there is no centralized database to gather information on what number of cases proceeded to trial and what number of these resulted in convictions. Therefore, the Ministry of Justice has prioritized implementing a project to automate the functions of the Court system. Certain pilot projects have commenced, such as the court records scanning project.

Accordingly, this variable is rated as medium high.

8.3.1.8 Quality of Terrorist Financing Customs and Border Controls

Impact of following three variables is included in this intermediate variable.

(a) Effectiveness of Immigration Controls

Sri Lanka is an island nation that lacks land borders, making immigration control easier. However, due to strict immigration controls and patrolling by the Sri Lanka Navy and Coast Guard, potential migrants who do not meet the requirements for legal entry or exit to their destination or transit country often seek the assistance of human smugglers. Irregular migration by air and sea is a huge profit-making venture for human traffickers. To combat human smuggling, Sri Lanka has conducted capacity building workshops for immigration officers in collaboration with international agencies such as the International Organization for Migration (IOM) and the UNODC. Several specialized units have also been established to strengthen formalities at borders, including the risk assessment center, the Border Surveillance Unit (BSU), the human trafficking prevention unit, and the document examination laboratory. These units have contributed to minimizing human smuggling, human trafficking, and the use of fraudulent documents.

Statistics on the detection of fraudulent travel documents identified by the BSU during the assessment period are as follows.

Table 6: Statistics on the Detection of Fraudulent Travel Documents during 2019 (July) to 2022

Inception Category	2019 (from July)	2020	2021	2022
Forged/Counterfeit/Visa	04	18	26	70
Forged/Counterfeit/Passports	11	12	07	35
Stolen blank Visa/passports	01	-	02	02
Impostor Visa/RP	01	-	-	08
Impostor passports	02	03	06	09
Fantasy Passport/visa	01	-	01	03
Forged seaman's books	-	01	04	01
Total	20	34	46	128

Source: Border Surveillance Unit, Department of Immigration and Emigration

Accordingly, the variable is rated at a medium.

(b) Effectiveness of Border Controls on Strategic Goods

Sri Lanka is in the process of finalizing list of strategic goods to be controlled in exporting, importing and transiting Sri Lankan borders. However, an enforcement framework to address any illegal import or export activities has been already established and it has been in operation since the start of Sri Lanka Customs. Further, an automated risk management system is in place for additional screening purposes. However, Sri Lanka Customs needs to establish capacity and acquire equipment for identifying strategic goods, once the strategic goods list is implemented. The US Department of State's Export Control and Related Border Security (EXBS) Programme and the World Customs Organization (WCO) trained 34 Customs Officials from Sri Lanka in strategic trade controls enforcement in 2017. The training provided knowledge, skills, and abilities to better screen shipments by identifying those that present a risk and targeting those that need to be physically inspected. EXBS aims to prevent the proliferation of Weapons of Mass Destruction (WMD) and their delivery systems and transfer of conventional weapons. Sri Lanka Customs has established the Central Intelligence Directorate as the focal point for exchanging intelligence with international agencies and customs administrations in other countries. They are also a user country of the Customs Enforcement Network system introduced by the World Customs Organization to report enforcement data among member countries. Mutual customs cooperation agreements have been established with several countries to assist in enforcing similar border controls. The rating for the effectiveness of the immigration control is assessed as medium.

(c) Effectiveness of Customs Controls on Cash and Similar Instruments

Sri Lanka has established a mechanism where passengers entering/ leaving Sri Lanka are required to declare their baggage in the Passenger Baggage Declaration Form, where Currency, Travelers' Cheques, Drafts, etc., in their possession exceed a certain threshold. Such declaration of the currency and negotiable bearer instruments in the said Passenger Baggage Declaration is subject to regulation 2213/39 of 03.02.2021 published under the FEA which defines the threshold.

In an instance a passenger does not make a declaration or makes a wrong declaration as required above, it will be considered a violation of Section 107A of the Customs Ordinance and the currency and negotiable bearer instruments can be forfeited under the same Section.

Sections 24 to 26 of the FTRA provide for currency reporting at the borders. These provisions include seizure or detention of cash and negotiable bearer instruments. Related offences and applicable punishments have been set out in Section 27 of the FTRA.

In terms of Section 12 read with Schedule B of the Customs Ordinance, any article the importation/exportation of which is restricted or prohibited under any other law can be intercepted by Sri Lanka Customs and action can be taken either under the Customs Ordinance or under the law where the restriction/prohibition is made. However, the FEA does not identify offences. Therefore, it is observed that the controls imposed by the FEA cannot be effectively enforced by Sri Lanka Customs.

The custom officers deployed at the airport use the available documents such as the passenger list submitted by the airlines and the flight details to target high-risk passengers. It is crucial in this scenario to have an APIS for identifying high-risk passengers. WG believes that Sri Lanka Customs has to acquire technology and more equipment to detect unauthorized/illegal cash transportation by persons. It is also necessary to have procedures and equipment to screen and detect unauthorized/illegal cash transportation in vehicles and shipping containers while entering or exiting the country.

The statistics on cases of bulk cash smuggling, failure to declare transportation of cash (and related instruments) and detected amounts which were forfeited during the assessment period are presented below.

Table 7: Statistics on cases of Bulk Cash Smuggling, Failure to Declare Transportation of Cash (and Related Instruments) and Detected Amounts which were Forfeited during the Assessment Period

Year	2017	2018	2019	2020	2021
Number of Cash (and related instrument) declaration failure incidents	106	114	58	39	20
Number of bulk cash smuggling cases	43	33	21	7	3
Number of bulk cash smuggling - Detected amounts (Rs. million)	516.4	205.1	159.1	58.6	40.8

Source: Sri Lanka Customs

Accordingly, this variable is rated at a medium high level.

8.3.1.9 Quality of Targeted Financial Sanctions

Impact of following four variables is included in this intermediate variable.

(a) Effectiveness of Domestic Cooperation

The NSC in Sri Lanka discusses national-level issues related to CFT and terrorism. The FIU regularly shares information with the SL-police and conducts external STR review meetings with AGD officers to share financial intelligence with LEAs. A separate unit of the CID of Sri Lanka Police has been placed within the Central bank premises under the FIU to strengthen coordination with LEAs. Additionally, the FIU has entered into 12

MOUs with some domestic stakeholders to enhance domestic cooperation which includes CFT and terrorism aspects. The main agencies involved in countering terrorism in Sri Lanka are MOD, CNI, SIS, intelligence services of tri-forces, CTID, CID, and FIU. They hold regular meetings at MOD to coordinate intelligence, and special committees are formed as needed to discuss specific matters. Two major terrorism incidents that have affected Sri Lanka are the war with LTTE that ended in 2009 and the Easter Sunday Bomb Attack in 2019. To address terrorism and TF threats, CTID maintains a close relationship with intelligence agencies and other entities and conducts joint missions with them to identify suspects and forfeit assets. CTID has held numerous meetings with intelligence agencies to share intelligence and gather information on methods of funding for terrorism activities. FIU works closely with CTID and SIS in TF investigations and gathering financial intelligence of suspected TF by sharing information and connecting FIs and other reporting entities with CTID for matters related to TF.

Sri Lanka currently lacks a legal framework for joint investigations by investigative units, and investigations are carried out on an as-needed basis. The Sri Lanka Police is the primary investigative agency, with specific divisions responsible for different types of crimes. However, the other agencies involved in predicate offence investigations (Sri Lanka Customs, CIABOC and etc.) may refer their findings in the predicate offence investigations to Sri Lanka Police for ML/TF investigation.

Additionally, the introduction of the goAML as a reporting and information sharing platform by the FIU has resulted in improved cooperation with reporting entities, regulators and LEAs.

Further, in addition to various TF related ad hoc committees and the TFS Committee, a working-level committee has been established to deal with matters related to TF to improve domestic cooperation among stakeholders who are involved in preventing Terrorism and TF in Sri Lanka. Accordingly, this variable has been rated as medium high.

(b) Effectiveness of International Cooperation

The country uses both formal and informal channels to strengthen international cooperation, operating through provisions of the Mutual Assistance in Criminal Matters Act and through relationships established through conventions, MOUs, and networks.

Mutual Legal Assistance

The Secretary to the Ministry of Justice (MOJ) in Sri Lanka is the central authority responsible for MLA. The Ministry of Foreign Affairs acts as a conduit for the transmission of information. Requests for MLA are usually received by various government agencies such as the MOD and the Ministry of Foreign Affairs. In such instances, government agencies receiving requests will forward them to the central authority.

The Mutual Assistance in Criminal Matters Act, No. 25 of 2002 was enacted to provide for MLA, and since then, it has been amended by Act, No. 24 of 2018, which expands its application to include countries that are parties to regional or international conventions, countries with bilateral agreements with Sri Lanka, and countries without such agreements, if the Minister determines that it is in the best interests of sovereign nations that Sri Lanka extends and obtains assistance on the basis of reciprocity. Additionally, intergovernmental organizations combatting corruption, ML, or TF may receive assistance on certain terms and conditions.

Assistance via Egmont

The FIU uses the Egmont network which facilitates the exchange of financial intelligence between FIUs to combat ML and TF globally. As a member of the Egmont Group, the FIU has access to Egmont Secure Web and can send to and receive from other member countries, information and spontaneous disseminations.

This is supplemented in the FTRA under section 15(1)(i) where the FIU has the power to compile statistics, records, and disseminate information within Sri Lanka or internationally, as well as make recommendations based on received information. Additionally, the FIU assists LEAs in international cooperation on criminal matters and may provide necessary assistance when matters are referred to it by the Central Authority.

Assistance via MOUs

The FIU can enter into agreements for the exchange of information with foreign institutions or agencies under the FTRA. The FIU has entered into 44 MOUs (as of August 2023) with foreign counterparts to exchange information on a regular basis, with the approval of the Minister of Finance. The information is shared based on necessity, as per the agreements between the counterparts.

Assistance via INTERPOL

According to the INTERPOL's rules, data can be processed for various purposes such as searching for a wanted person, providing or obtaining information related to a criminal investigation, warning of criminal activities, identifying a person or a dead body, carrying out forensic analyses, security checks, and identifying threats and criminal networks.

Apart from the various information-sharing mechanisms mentioned above, the MOD participates in various committees with foreign counterparts to discuss matters related to terrorism and TF and provide assistance.

In terms of statistics, Sri Lanka has not received any NCB confiscations related requests as per the MOJ. The summary of incoming and outgoing MLA requests is depicted in the below table.

Table 8: Summary of Mutual Legal Assistance Requests

Year	2016	2017	2018	2019	2020	2021
Requests received	25	26	5	12	6	12
Requests made	64	63	27	17	7	2

Source: Ministry of Justice, Prison Affairs and Constitutional Reforms

According to the statistics available, during the last two years, there have been no incoming MLA requests related to TF and in relation to outgoing requests, there have been 3 MLA matters which are associated with TF.

With respect to the information sharing through ESW, details of the incoming and outgoing requests for the last five years are in Table 4.

As per INTERPOL Colombo, it has received 252 requests from its foreign counterparts in the year 2021 related to law enforcement issues, and 195 requests have been accommodated. Further, most of the un-responded requests are non-compliant with the INTERPOL Rules and local laws.

Accordingly, the effectiveness of international cooperation has been rated as high.

(c) The comprehensiveness of Legislation, Procedures and Mechanisms on Targeted Financial Sanctions related to Terrorism and Terrorist Financing

Sri Lanka has issued two principal regulations and two directives on implementation practices and enforcement obligations for both UNSCR 1373 and UNSCR 1267.

The United Nations Regulations, No. 01 of 2012 has been issued promulgating the UNSCR 1373 (2001, for local terrorists) designating individuals and entities related to terrorism and TF at the national level. The Regulation was amended on December 11, 2014, as per Extraordinary Gazette No. 1892/37.

The United Nations Regulations, No. 02 of 2012 issued by the Minister of Foreign Affairs promulgating the UNSCR 1267(1999) and the modifications and strengthening of the Resolution's sanctions regime by subsequent resolutions including 1526 (2004), 1617 (2005), 1735 (2006), 1822 (2008), 1904 (2009), 1988 (2011), 1989 (2011) and 2253 (2015) and any other subsequent resolution on Taliban (Islamic Emirate of Afghanistan), Islamic State of Iraq and Levant (ISIL, also known as Da'esh) and Al-Qaida, imposing upon member States of the United Nations a series of obligations to apply sanction measures to any natural or legal person, group or entity associated with Taliban, ISIL (Da'esh) or Al-Qaida. The Regulation was amended on December 11, 2014, as per Extraordinary Gazette No. 1892/37 and on November 04 of 2016, as per Extraordinary Gazette No. 1991/52.

The regulations cover the requirement for all natural and legal persons within the country to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities. The mechanisms for communicating designations to the financial sector and DNFBPs immediately upon designations and providing clear guidance to them on their obligations in taking action under freezing mechanisms are also laid down in the above-mentioned regulations. As per the analysis, it was observed that the measures which protect the rights of bona fide third parties are not specifically mentioned in either of the regulations. However, the TFS Committee¹⁰ frequently examines third-party claims.

Further, no specific clauses explain the procedure to unfreeze the funds or other assets of persons and entities that are de-listed. However, through awareness, training, and communications, the FIU and the competent authority have communicated to the FIs and DNFBPs to unfreeze funds or other assets if the name does not appear in the active designation list.

Comprehensiveness of Legislation, Procedures, and Mechanisms on TFS related to Terrorism and Terrorist Financing is rated as medium.

¹⁰ Sri Lanka has formulated an inter-agency coordination mechanism identified as the "TFS committee" in 2018/19 with the participation of the relevant stakeholders including MOD, FIU, MOFA, AGD, CID, CTID and relevant financial regulators.

(d) Effectiveness of Implementation of Targeted Financial Sanctions related to Terrorism and Terrorist Financing

The Competent Authority for the implementation of the United Nations (UN) Regulations in Sri Lanka is the Secretary to the MOD. Additionally, Sri Lanka has formulated an inter-agency coordination mechanism with the participation of the relevant stakeholder, identified as the “TFS Committee” in 2018/19. The chairman of the Committee is the Secretary of Defence. Meetings of the TFS Committee are held routinely, and special meetings are held when required. The stakeholders of the Committee ensure that the institutions which are coming under their purview are aware of the regulatory requirements in relation to UNSCR resolutions and are implementing necessary procedures to comply with the same.

In Sri Lanka, the FIs and DNFBPs identify and freeze the funds of designated persons and entities without delay and ensure that no funds are made available to designated persons and entities. In the case of the other assets, they may be confiscated under PTA or CSTFA, as the subjects which are listed under UNSCR 1373 are mostly pursued also under PTA and/or CSTFA. As a result, while funds are being frozen in accordance with UNSCRs based on the listing, the designated person’s assets are frozen in accordance with PTA and CSTFA provisions.

During the assessment period, there have not been any proposals from Sri Lanka for designations under the UNSCR 1267 regime. The designations are primarily done for UNSCR 1373 related to local terrorists.

Statistics on number of persons and entities subject to TFS under UNSCR 1373 are as follows;

Table 9: Statistics on Number of Persons and Entities Subject to Targeted Financial Sanctions under UNSCR 1373

Designation type	Number (as of August 01, 2022)
Individuals	316
Entities	15

Source: Financial Intelligence Unit – Sri Lanka

The procedures to de-list persons and entities that no longer meet the criteria for designation are laid down in the respective regulations. Based on a case-by-case basis, the competent authority is giving access to frozen funds or other assets which have been determined to be necessary for basic expenses, for the payment of certain types of fees, medical expenses and service charges, or for extraordinary expenses.

With regard to UNSCR 1373, from 2016 to 2021, new listings have been made through five gazettes¹¹ which designated a total of 577 individuals and 18 entities. Further, a gazette issued in 2022¹² de-listed 316 individuals and 6 entities, additionally, 55 individuals and 3 entities have been added to the list bringing the total to 316 individuals and 15 entities as per Table 9. During the assessment period, two requests to access the frozen funds have been made in 2022, however, subsequently, they were de-listed in 2022 following the due process.

11 No. 1992/25 dated November 09, 2016, No. 2076/18 dated June 20, 2018, No. 2124/32 dated May 23, 2019, No. 2140/16 dated September 09, 2019, No. 2216/37 dated February 25, 2021

12 No. 2291/02 dated August 01, 2022

As per the information received from the Ministry of Foreign Affairs, there are no requests received from other countries for designations based on UNSCR 1373 for the assessment period. Further, there are no requests sent to other countries and/or competent UNSC Committees proposing a designation for the assessment period.

FIU conducts awareness sessions and supervises reporting institutions such as FIs and DNFBPs to ensure compliance with the requirement of freezing funds without delay and reporting to competent authorities. The FIU communicates designations of individuals and entities subject to UN sanctions measures via email to reporting institutions and updates are immediately shared. The competent authority forwards updates to the designated list to various regulatory and supervisory authorities, and the FIU ensures compliance by conducting awareness sessions and supervision.

Statistics for the assessment period on amounts of assets frozen and transactions rejected are as follows;

Table 10: Statistics for the Assessment Period on Amounts of Assets Frozen and Transactions Rejected

Year	Amounts of assets frozen	Number of transactions rejected
2017	-	1 (Cheque deposit in relation to UNSCR 1373)
2018	-	-
2019	-	-
2020	-	-
2021	Rs. 5,633,125.42 (Account balance as of 28th March 2022)	1

Source: Licensed Banks and Finance Companies

Accordingly, effectiveness of Implementation of Targeted Financial Sanctions related to Terrorism and Terrorist Financing can be rated as medium high.

8.3.1.10 Controls on Provision of Strategic Equipment, Goods and Services to Conflict Zones

Sri Lanka has issued United Nations (Sanctions relating to Proliferation of Nuclear, Chemical or Biological Weapons) Regulations of 2017, in order to implement the provisions of UNSCR 1540. As per the regulation 5 of the UNSCR 1540 Regulation, “dealing with WMD related materials (dual use items) within Sri Lanka for peaceful purposes shall be done in accordance with relevant written law”. Further, as per the regulation 6 of the UNSCR 1540 Regulation, “export/ transit/ trans-shipment/ re-export of dual use items within Sri Lanka for peaceful purposes shall be done in accordance with relevant written law”. According to the said regulations, the country is required to formulate national laws relating to the exporting, re-exporting, migration and shipping of nuclear, chemical and biological weapons-related materials. Accordingly, in order to align the existing Import and Export Control Act with the implementation of Resolutions 1540 in Sri Lanka, a new Strategic Trade Management Act has been drafted by the Import and Export Control Department in the year 2020.

Currently, importation and exportation of dual usage items are subjected to the recommendation of a recommending authority identified by the Import and Export Control Department. However, policy approval has been granted by the Cabinet of Ministers in 2019 to prepare a National Strategic Product (Export) Control

List using the EU Military List and the EU Dual-Use Control List, which is suitable for Sri Lanka. Further, the Cabinet of Ministers has appointed two Cabinet Sub-Committees as Technical Committee and Legislative Committee for the implementation of the work relating to the new Strategic Trade Management Act and National Strategic Product Control list. Accordingly, the National Strategic Product Control List has been prepared and translated into Sinhala and Tamil languages on the advice of the technical committee. The new Strategic Trade Management Act is presently being reviewed by the legislative committee.

Since 2005, the Department of Imports and Exports Control, by the EXBS, is organizing local and international training and awareness programmes on item export control, on strategic actions for the government officers of the related agencies such as, MOD and Sri Lanka Customs. Five local and foreign training programmes were conducted for this purpose in the year 2019 and the Department of Import and Export Control takes necessary steps to ensure the participation of officials of other government institutions in these programmes.

Accordingly, Sri Lanka is still in the process of finalizing a list of strategic goods and services and identifying controls on provisioning the same to risky countries. Therefore, controls on provision of strategic equipment, goods, and services to conflict zones is rated as medium.

Figure 2: Highlights of the Terrorist Financing Risk Assessment

