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## CBSL puts shine on AML compliance requirements for gem and jewellery sector

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**Seated from left: SLGJA Vice President Muslim Salahudeen, President Ajward Deen, Industries Ministry Secretary J.M. Thilaka Jayasundara, CBSL Governor and National Coordinating Committee on AML/CFT Chairman Dr. Nandalal Weerasinghe, NGJA Chairman Viraj De Silva, FIU Director Enoka Mohotty, and CBSL Deputy Governor K.M.A.N. Daulagala Standing from left: LGDMA President U.G. Chandrasena, SLGJA Vice President Rizwan Zahabdeen, FIU Deputy Director Theja Pathberiya, Additional Director Dr. Ayesh Ariyasinghe and Senior Assistant Director Chandima Bandara**

The Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka organised an awareness program for the gem and jewellery sector on “Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Compliance Obligations and New Developments” on 4 July 2023.

The keynote address was delivered by CBSL Governor and National Coordinating Committee on AML/CFT Chairman Dr. Nandalal Weerasinghe, and Industries Ministry Secretary J.M. Thilaka Jayasundara, National Gem and Jewellery Authority (NGJA) Chairman Viraj De Silva, Sri Lanka Gem and Jewellery Association (SLGJA) President Ajward Deen, and Lanka Gem Dealers and Miners Association (LGDMA) President

U.G. Chandrasena also graced the occasion.

The event was participated by over 100 participants from the industry.

The industry of gems and jewellery, and precious metals and stones is a key contributor to the Sri Lankan economy. Sri Lanka is the ninth largest exporter of precious stones to the global market and one of the five most important gem bearing nations of the world. Sri Lanka is also one of the world’s steadiest suppliers of topquality gemstones. However, Sri Lanka’s export contribution to economy is yet to match the other global stakeholders such as Thailand, which is an international trading hub for gem and jewellery and generates around \$ 12 billion in export revenue, Hong Kong, which notches \$ 30 billion.

As per the Central Bank Annual Report 2022, Sri Lanka earned \$ 450 million as export income from gems, diamonds, and jewellery during 2022 while the annual average for the past 5 years was \$ 298 million.

While addressing the gathering, Dr. Weerasinghe stressed the significant contribution of the gem and jewellery sector to the Sri Lankan economy. He emphasised that the Financial Intelligence Unit sector's successful adherence to the AML/CFT obligations would effectively mitigate Money Laundering and Terrorist Financing (ML/TF) risks. Furthermore, it would ensure compliance with the international recommendations, governance standards, and anti-corruption framework.

Dr. Weerasinghe emphasised that these efforts would reinforce the AML/CFT framework of the country. He extended an invitation to sector stakeholders, urging them to collaborate closely with the FIU and the NGJA in this national endeavour.

Industries Ministry Secretary Jayasundara, in her address, provided detailed insights on the collaborative efforts between the FIU and the NGJA to enhance the AML/CFT regime within the gem and jewellery sector. She further elaborated on the specific areas that require focused attention before the upcoming Mutual Evaluation in 2025. Further, she emphasised the importance of compliance in order to gain recognition in the international market.

NGJA Chairman De Silva, during his speech, acknowledged Sri Lanka's strategic geographical position on historic trade routes, which has facilitated the exchange of precious gemstones throughout our history. Furthermore, he urged gem and jewellery dealers to uphold their responsibilities by complying with AML/CFT regulations. He specifically emphasised the importance of registering with the FIU as a means of fulfilling these regulatory obligations.

The technical session was conducted by FIU Additional Director Dr. Ayesch Ariyasinghe. He explained that gem and jewellery dealers are considered Designated Non-Financial Businesses and Professions (DNFBPs) under the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA). He further highlighted that the ML/TF risk assessment conducted for the country in 2021/22 confirmed the gem and jewellery sector's medium exposure to ML/TF risks which is a combination of medium threat level, and medium level vulnerability of the sector.

Dr. Ariyasinghe also emphasised that the sector's risk level has decreased from medium-high in 2014 to medium, primarily due to the measures implemented by the FIU since 2018 to address AML/CFT supervision for the registered gem and jewellery dealers.

He emphasised the importance of adhering to the AML/CFT obligations outlined in the FTRA, with a specific focus on promptly reporting suspicious transaction reports.

He also encouraged the sector to ensure proper Customer Due Diligence (CDD) is carried out for cash transactions on or above a value of \$ 15,000. The stakeholders were informed about the importance of adequately preparing for the upcoming Mutual Evaluation of Sri Lanka, scheduled to take place in March 2025.

Concluding the session, FIU Director Mohotty, underscored the significance of adhering to AML/CFT obligations within the gem and jewellery sector and highlighted how it would contribute to enhancing Sri Lanka's AML/CFT standards during the next Mutual Evaluation. Furthermore, a productive discussion took place with the active involvement of all session participants, including the guest speakers, resource persons, FIU officials, and the audience.

## **Recommendations**

The sector regulators are requesting the companies engaged in the gem and jewellery business to seriously consider the following recommendations to improve the level of compliance:

- **Conduct CDD, not just on paper but to identify, assess, monitor, manage sector clientele and take effective action to mitigate ML/TF risks using a risk-based approach that requires enhanced measures when the risks are higher,**
  - **Carry out CDD with respect to the customers for high value cash transactions above USD 15,000, identify beneficial ownership, and business relationship, and maintain records of transactions,**
  - **Take additional measures to identify customers who are politically exposed persons (PEPs) and adhere suitable monitoring,**
  - **Implement policies, procedures, and internal controls against ML/TF risks,**
  - **Implement targeted financial sanctions and freeze assets or take action immediately against persons and entities designated by the United Nations Security Council Resolutions (UNSCRs) 1267 and 1373, or other UNSCRs, and communicate the same to competent authorities; and**
  - **Report suspicious transactions to the FIU, where relevant.**
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