National Policy on Anti-Money Laundering, Countering the Financing of Terrorism and Counter Proliferation Financing of Sri Lanka

2026 - 2030

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List of Acronyms

AML	Anti-Money Laundering
APG	Asia Pacific Group on Money Laundering
CDD	Customer Due Diligence
CFT	Countering the Financing of Terrorism
CPF	Counter Proliferation Financing
CSTFA	Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005
CTRs	Cash Transaction Reports
DNFBPs	Designated Non-Finance Businesses and Professions
DPMS	Dealers in Precious Metals and Stones
EFF	Extended Fund Facility
EFTs	Electronic Fund Transfers
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSRBs	FATF-Style Regional Bodies
FTRA	Financial Transactions Reporting Act, No. 6 of 2006
IMF	International Monetary Fund
LEAs	Law Enforcement Agencies
ME	Mutual Evaluation
MER	Mutual Evaluation Report
ML	Money Laundering
MVTS	Money or Value Transfer Service
NCC	AML/CFT/CPF National Coordinating Committee
NPOs	Non-Profit Organizations
NRA	National Risk Assessment
PF	Proliferation Financing of Weapons of Mass Destruction
PMLA	Prevention of Money Laundering Act, No. 5 of 2006
STRs	Suspicious Transaction Reports
TCSPs	Trust or Company Service Providers
TF	Terrorist Financing
UNSCRs	United Nations Security Council Resolutions
VAs	Virtual Assets
VASPs	Virtual Asset Service Providers

Approval of the Cabinet of Ministers

At the Cabinet meeting held on 13.07.2026 the Cabinet of Ministers has approved the adoption of the National Policy on Anti-Money Laundering, Countering the Financing of Terrorism and Counter Proliferation Financing (AML/CFT/CPF) of Sri Lanka for 2026 - 2030.

Message from His Excellency the President

The Government of Sri Lanka remains steadfast in its commitment to safeguard the stability and integrity of the country's financial system. Strengthening our national framework against Money Laundering (ML), Terrorist Financing (TF), and Proliferation Financing (PF) continues to be a national priority, essential for protecting our economy and upholding the trust of international partners.

In this context, the National Anti-Money Laundering, Countering the Financing of Terrorism and Countering Proliferation Financing (AML/CFT/CPF) Policy for 2026–2030 has been developed to guide Sri Lanka's strategic direction in mitigating financial crime risks over the next five years. This National Policy is informed by the findings of the National Risk Assessment (NRA) 2024/25, which identifies emerging threats and structural vulnerabilities requiring immediate and coordinated actions. The Government is fully committed to ensuring that all relevant institutions adopt and implement the National Policy and update their respective institutional Action Plans on AML/CFT/CPF. The Government has already established an AML/CFT/CPF Task Force to closely monitor the implementation of institutional AML/CFT/CPF action plans. The Task Force will continue to support the National Policy for 2026–2030 by monitoring implementation of institutional action plans. In my capacity as the President of the Democratic Socialist Republic of Sri Lanka, I have met with relevant stakeholders on multiple occasions to oversee the implementation status of the AML/CFT/CPF action plans, a reflection of sustained commitment at the highest level.

Sri Lanka will continue to work closely with the Financial Action Task Force (FATF), an intergovernmental policy-making body fighting against ML/TF/PF and the Asia/Pacific Group on ML (APG), FATF-style regional body focused within the Asia-Pacific region, as well as with regional partners, to strengthen its AML/CFT/CPF compliance and align with related global best practices. This collaborative approach is essential to addressing identified deficiencies, enhancing transparency, and promoting an effective, risk-based AML/CFT/CPF regime across all sectors of the Sri Lankan economy.

It is also noteworthy that the implementation of this National Policy on AML/CFT/CPF will play a vital role in supporting Sri Lanka's broader governance, financial-sector reforms, and economic stabilization efforts. Effective AML/CFT/CPF measures contribute directly to improving investor confidence, supporting fiscal credibility, and strengthening the country's reputation within the global financial system.

This National Policy on AML/CFT/CPF represents a collective commitment to ensuring a secure and resilient financial environment for all Sri Lankans. Its success will depend on the continued dedication, cooperation, and professionalism of institutions across the public and private sectors. I call upon all stakeholders to extend their fullest cooperation and to make their utmost contribution toward the effective and timely implementation of this national policy, in the best interests of our nation and our people.

Anura Kumara Dissanayake
His Excellency the President of Democratic Socialist Republic of Sri Lanka and
Minister of Finance, Planning and Economic Development

Message from National Coordinating Committee Chairman

It is with great appreciation and responsibility that I present the National Policy on AML/CFT/CPF of Sri Lanka for the period 2026–2030. The timely development of this National Policy reflects the country's continued determination to strengthen its financial sector resilience and to address emerging risks in an increasingly complex global environment.

Over the past years, Sri Lanka has made considerable progress in understanding the nature and scale of ML, TF and PF risks it faces. The NRA 2024/25 has provided a comprehensive and evidence-based understanding of the risks, and its findings form the core foundation of this National AML/CFT/CPF Policy 2026–2030. The National Policy outlines priority areas for reform considering the revised national risk profile. In formulating this National Policy, special attention was paid to the heightened threats, vulnerabilities as well as elevated risk areas. It sets out a systematic and coherent framework for mitigating vulnerabilities across all sectors.

The development of this National Policy on AML/CFT/CPF has been a collaborative effort involving key public and private sector stakeholders, including regulators, supervisory authorities, law enforcement agencies, reporting institutions, and other competent authorities. Their contributions, which were made through information, data, expertise, and active participation in the NRA have been vital in shaping a policy framework that is both practical and forward looking.

The success of the National Policy on AML/CFT/CPF will depend heavily on effective implementation. Continuous legal alignment with international standards, strengthened regulatory frameworks, effective coordination, robust risk-based supervision, enhanced investigative and asset recovery capacity, improved data infrastructure, adoption of new technologies, strengthened cybersecurity, secure digital identity systems, regulation of VASPs, risk-calibrated financial inclusion, and sustained stakeholder commitment are essential to advancing Sri Lanka's AML/CFT/CPF regime. This Policy also aligns with Sri Lanka's broader efforts to reinforce governance, enhance financial transparency, and strengthen compliance with international standards set by the FATF.

I extend my sincere appreciation to the Financial Intelligence Unit (FIU Sri Lanka) for its leadership in coordinating the NRA and the National Policy development process, and to all institutions that contributed through their technical expertise and cooperation. Their dedication reflects a shared commitment to maintaining the safety and integrity of Sri Lanka's financial system.

As we move forward, I urge all stakeholders to work together with renewed determination to implement this National Policy effectively. A well-functioning AML/CFT/CPF framework is critical not only for protecting the financial system, but also for supporting long term economic stability, investor confidence, and national security of Sri Lanka.

Dr. P. Nandalal Weerasinghe
Governor of the Central Bank of Sri Lanka
Chairman of the AML/CFT National Coordinating Committee

1. Introduction

Financial crimes such as Money Laundering (ML), Terrorist Financing (TF), and Proliferation Financing (PF) of weapons of mass destruction pose serious threats to Sri Lanka's economy and the global financial system. With rapid technological growth, financial transactions have become more sophisticated. Criminals use advanced methods to hide proceeds of crime. This makes it difficult for authorities to prevent, detect, and disrupt these financial networks. It is also challenging to prevent money launderers from accessing illicit proceeds and terrorist financiers from obtaining funds.

Effective mitigation of ML/TF/PF risks requires a coordinated approach. All stakeholders within the financial system including regulatory authorities, supervisory bodies, the Financial Intelligence Unit (FIU), law enforcement agencies, prosecutorial authorities, and the judiciary must effectively collaborate. Robust cooperation and structured coordination among these entities are critical to ensure the integrity and stability of the financial system. Such mechanisms would ensure effective domestic coordination and facilitate timely information sharing at both policy and operational levels, thereby supporting the development and implementation of measures to combat ML/TF/PF.

It is imperative that Sri Lanka establishes a robust national framework to effectively address risks related to ML/TF/PF. Such a framework must ensure full compliance with Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Countering the Proliferation Financing (CPF) of Weapons of Mass Destruction obligations, in alignment with international recommendations and recognized best practices.

To establish an effective AML/CFT/CPF framework, Sri Lanka must systematically and on a continuing basis identify, assess, and understand the ML/TF/PF risks within its context. Fulfilling this requirement, Sri Lanka has so far conducted three National Risk Assessments (NRAs). The most recent assessment being the NRA 2024/25.

Based on the findings of the most recent NRA, and national priorities, Sri Lanka has adopted its National Policy on AML/CFT/CPF for the period 2026–2030.

This national policy is designed to address emerging threats, vulnerabilities, and risks identified through the NRA 2024/25. Its effective implementation over the next five years is critical in strengthening Sri Lanka's AML/CFT/CPF framework and ensuring the resilience and integrity of the country's financial system and national security.

This National Policy will be subject to regular review to ensure continued relevance and effectiveness.

2. National Policy on AML/CFT/CPF of Sri Lanka (2026 - 2030)

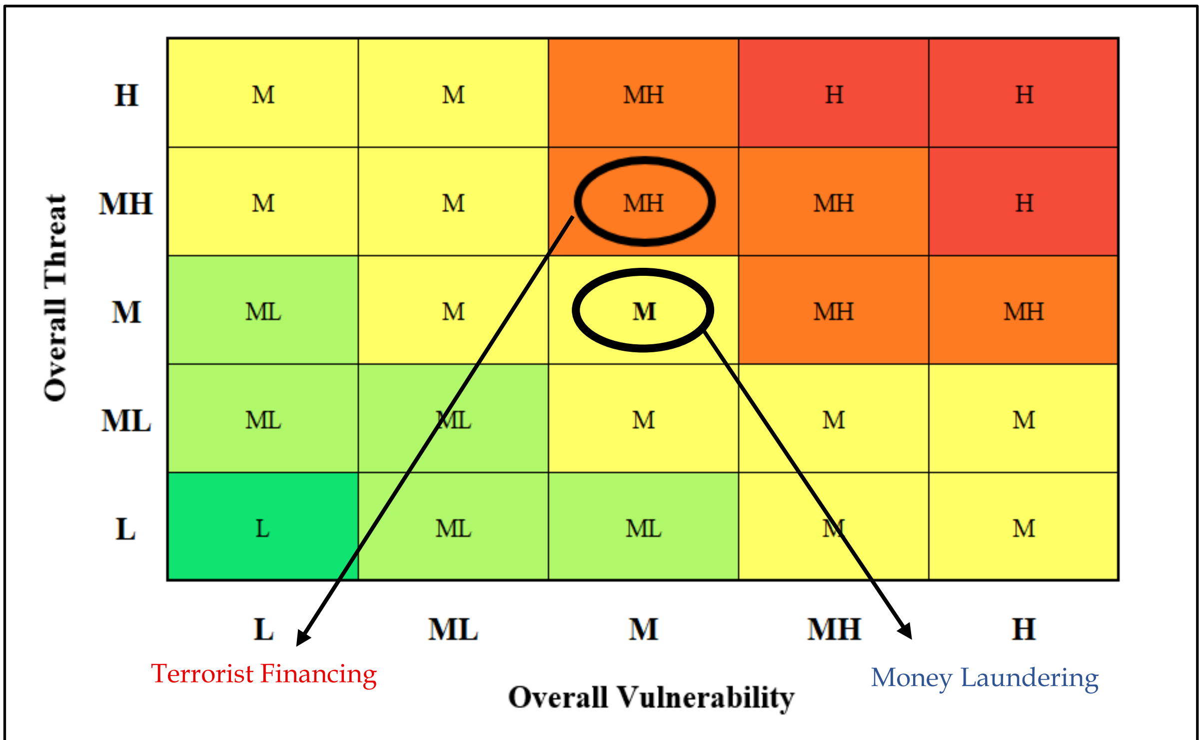
The National Policy on AML/CFT/CPF (2026 - 2030) is formulated based on the findings of the NRA 2024/25 and focuses on addressing key structural weaknesses, vulnerabilities, and strategic gaps identified within the country's AML/CFT/CPF framework. It provides clear priorities and actions to build a stronger, more effective AML/CFT/CPF framework that aligns with FATF standards.

2.1 National Risk Assessment 2024/25

Sri Lanka's NRA 2024/25 was conducted using the World Bank methodology similar to the previous assessment. The assessment was carried out with the participation of nearly 200 experts representing 86 public and private sector institutions. The FIU led the coordination of the NRA. The NRA was by market perspectives and consideration of global and regional ML/TF/PF contexts.

The overall ML/TF/PF risk of Sri Lanka as per NRA 2024/25 is given in Figure 1.

Figure 1: Overall ML/TF/PF Risk in Sri Lanka



Proliferation Financing Risk: Medium

This assessment identified that Sri Lanka's overall national ML threat is **Medium**, influenced by major proceeds generating unlawful activities (predicate offences) as a proxy. The overall national ML vulnerability was also assessed as **Medium** considering the national combating ability and sectoral ML vulnerabilities. Accordingly, Sri Lanka's national overall ML risk, which is a composite of national ML threat and vulnerability, was assessed as **Medium**. The level of risk remains unchanged since the last NRA conducted in 2021/22.

Sri Lanka's overall TF risk is assessed as **Medium-High**, driven by an increase in threat level to **Medium-High** while vulnerability remains unchanged at **Medium**. Sri Lanka, being situated in an environment with international financial flows and significant global terrorist threats, has experienced an increase in the level of threat from financing of terrorism to a medium high level, which has contributed to the elevation of this risk.

The NRA 2024/25 is significant as Sri Lanka, for the first time, conducted a systematic assessment of the country's PF risk. The overall PF risk has been assessed at a **Medium** level based on high global proliferation financing threat environment, Sri Lanka's limited direct exposure, and the presence of mitigation frameworks.

ML threat levels associated with major predicate offences are presented in Table 1.

Table 1: ML Threat Level of Predicate Offences

No	Predicate Offences	Rating
1	Drug trafficking	High
2	Fraud	Medium High
3	Customs-related offences TBML	Medium High
4	Bribery and corruption	Medium
5	Trafficking in persons	Medium
6	Robbery	Medium
7	Environmental & natural resource crimes	Medium
8	IUU fishing related activities	Medium
9	Tax crimes	Medium
10	Violations under Excise Ordinance	Medium-Low
11	Counterfeiting of currency	Low

Source: NRA - 2024/25

In comparison with Sri Lanka's second NRA 2021/22, the latest NRA highlights a heightened ML threat emanating from a range of predicate offences. Drug trafficking now carries a High ML threat; fraud, customs/TBML, tax crimes, trafficking in persons and IUU fishing are all assessed at higher levels of threat compared to the previous NRA.

Further, the assessment identified the levels of overall ML/TF risk for each sector, as outlined below.

Table 2: Sectoral ML/TF Risk

Sector	ML Risk	TF Risk
Banks	Medium High	Medium Low
Finance Companies	Medium High	Medium Low
Casinos	Medium High	Medium Low
Real Estate	Medium High	Medium Low
Dealers in Precious Metals and Stones	Medium High	Medium Low
Informal Money Transfer Services	Medium High	Medium
Stockbrokers	Medium	Medium Low
Primary Dealers	Medium	Medium Low
Insurance	Medium	Medium Low
Trust and Company Service Providers	Medium	Medium Low
Lawyers	Medium	Medium Low
Notaries	Medium	Medium Low
MVTS Providers	Medium	Medium Low
Accountants	Medium Low	Medium Low
Unit Trust & Investment Managers	Medium Low	Medium Low
E-money service providers	Medium Low	Medium Low
Co-operative societies	Medium Low	Medium Low
Samurdhi Banks	Medium Low	Medium Low
Unregulated Micro Finance Institutions	Medium Low	Medium Low
Informal Pawnbrokers	Medium Low	Medium Low
Informal Money Lenders	Medium Low	Medium Low
Restricted Dealers	Medium Low	Medium Low
Licensed Micro Finance Companies	Medium Low	Medium Low
Leasing Companies	Low	Medium Low

Source: NRA - 2024/25

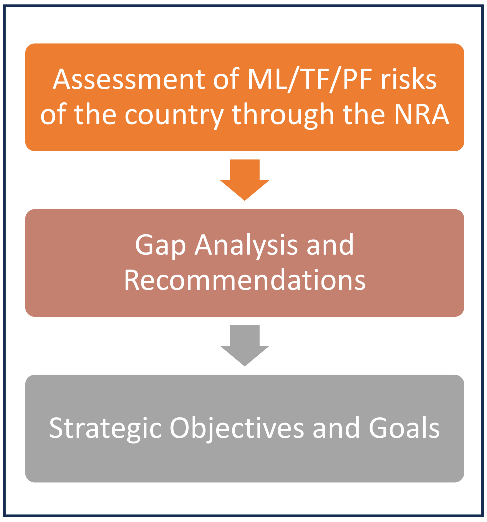
According to the NRA 2024/25, Sri Lanka's AML/CFT/CPF regime has a strong legal and institutional foundation, and greater focus is needed on improving effectiveness, by way of data integration, leveraging technology, higher enforcement outcomes, and the management of emerging risks, especially, for the elevated TF risk as well as newly assessed PF risk in Sri Lanka.

As an enhancement to the NRA process, clear definitions of risk, threat, and vulnerability were introduced to improve national understanding of the assessment ratings.

2.2 Approach

Based on the findings of the NRA 2024/25, reflecting the revised national risk profile as well as the newly updated understanding of threats and vulnerabilities, the National Policy lays down the approach for strengthening Sri Lanka's AML/CFT/CPF framework over the next five years. The NRA identified priority areas and gaps within the current system, and these insights have informed the development of strategic objectives and actions that focus on mitigating ML/TF/PF risks, improving institutional capacity, and aligning with evolving international standards. This forward-looking approach ensures that Sri Lanka remains resilient and responsive to emerging ML/TF/PF risks while supporting sustainable economic growth, financial integrity and inclusion.

Figure 2: Approach



2.3. Alignment with FATF Standards and Immediate Outcomes

Sri Lanka shall maintain a systematic and documented mapping between the National Policy Objectives and the FATF 40 Recommendations and 11 Immediate Outcomes, including all revisions to the FATF Standards during 2026–2030. The NCC will ensure that, by end-2026, the country,

i. maps each Recommendation and Immediate Outcome to specific objectives, actions and responsible authorities,
ii. identifies residual technical and effectiveness gaps, and
iii. sets specific and measurable indicators and target dates for closing those gaps.

2.4. Objectives of the National Policy on AML/CFT/CPF

Anchored on international best standards and practices and informed by the revised national risk profile and findings and recommendations of NRA 2024/25 as well as the newly updated understanding of ML/TF/PF threats and vulnerabilities of the country, this National Policy outlines 15 key objectives aimed at strengthening Sri Lanka's AML/CFT/CPF framework. These objectives will drive national efforts during the period 2026–2030.

Figure 3: Objectives of the National Policy on AML/CFT/CPF

1 Continuous alignment of Sri Lanka's national laws with international AML/CFT/CPF recommendations through regular gap analysis.	2 Enhance efficiency and effectiveness of ML/TF/PF investigations and prosecutions and dedicated mechanisms for asset forfeiture, focusing on broadened ML predicate offences/ unlawful activities.	3 Elevate AML/CFT /CPF risk-based supervision framework in Sri Lanka through robust risk calibration and allocation of more resources to oversight of risk elevated sectors.	4 Promote and strengthen overall domestic and international cooperation and coordination.
5 Enhance institutional capacity and promote AML/CFT/CPF awareness through institutionalized capacity building focusing on heightened threat areas.	6 Ensure real time access to up-to-date and accurate AML/CFT/CPF data repositories.	7 Promote financial inclusion in Sri Lanka through risk-calibrated AML/CFT/CPF regime.	8 Prioritize identification of prudential regulator and implement AML/CFT/CPF obligations for VASPs.
9 Further strengthen national cybersecurity protocols.	10 Continued adoption of new technology for real-time transaction monitoring and risk assessment for FIs and DNFBPs.	11 Prioritize implementation of national policy to ensure a secure digital identity system.	12 Implement proportionate control measures in alignment with the findings of new PF risk assessment.
13 Enhance legal framework and institutional capacity in alignment with the findings of heightened TF risk.	14 Enhance institutional capacity in alignment with the elevated threat of drug trafficking.	15 Improve BO transparency of legal persons and legal arrangements.	

Objective 1: Continuous alignment of Sri Lanka's national laws with international AML/CFT/CPF recommendations through regular gap analysis
Goals: i. Strengthen the national legal framework for the financial and non-financial sectors by expanding statutory AML/CFT/CPF obligations, supervisory powers and sanctioning authorities in line with FATF standards. ii. Strengthen supervision and enforcement of the unregulated and informal financial sector and progressively formalize informal economic activities. iii. Broaden, as needed, the scope of predicate offences/ unlawful activities for ML to ensure alignment with FATF standards. iv. Strengthen the regulatory framework for VAs and VASPs by introducing robust laws, regulations, and supervisory and oversight mechanisms. v. Accelerate enactment of new legislation for NPOs, repealing the existing law to comply with FATF Recommendation. vi. Adopt and implement a risk-based regulatory and supervisory framework for NPOs[1]. vii. Improve inter-agency cooperation, coordination and information sharing by amending Section 100 of the Inland Revenue Act to facilitate lawful, timely and effective data sharing. viii. Enhance the effectiveness of the enforcement regime by introducing a wider range of effective, proportionate and dissuasive sanctions such as activity restrictions and senior management accountability which are beyond monetary penalties. ix. Further strengthen preventive measures by introducing enhanced control measures for high-risk products, expanding thematic reviews, and issuing targeted regulatory guidance.

[1] New NPO legislation will explicitly adopt a risk-based approach consistent with FATF Recommendation 8, by identifying the subset of organizations that fall within the FATF definition of NPOs and are exposed to higher terrorist financing risk and applying proportionate measures to that subset. Supervisory and outreach frameworks will emphasize protecting legitimate charitable activity while preventing abuse, including structured engagement with the NPO sector, targeted guidance on TF risks, and collection of proportionate risk-relevant information.

Objective 2: Enhance efficiency and effectiveness of ML/TF/PF investigations and prosecutions and institute dedicated mechanisms for asset forfeiture, focusing on broadened ML predicate offences/ unlawful activities.

Goals:

i. Further strengthen TF–specific investigations and prosecutions through specialized approaches and capacity building.

ii. Strengthen ML investigation and prosecution of tax crimes and environmental and natural resource (ENV-NR) crimes.

iii. Enhance and further strengthen asset recovery and asset forfeiture mechanisms to improve identification, tracing, freezing, seizure, and confiscation of proceeds of crime.

iv. Expand and strengthen STR reporting and investigative mechanisms across all relevant sectors.

v. Further strengthen coordination and operational effectiveness among law enforcement agencies, prosecutors, and the judiciary to address low investigation and conviction outcomes.

vi. Strengthen investigative capacity by introducing new strategies and techniques, and by providing adequate resources, specialized tools, and continuous training.

vii. Strengthen coordinated monitoring mechanisms for cross-border movement of foreign currency, precious stones, and precious metals to detect and prevent illicit financial flows.

viii. Strengthen and implement risk-based controls, monitoring mechanisms, and proportionate sanctions relating to wire transfers and cross-border cash movements[2].

[2] To address vulnerabilities in cross-border flows, Sri Lanka will fully implement FATF Recommendation 16 on wire transfers by requiring ordering, intermediary and beneficiary financial institutions to ensure complete originator and beneficiary information, to identify and manage transfers with missing or incomplete data, and to apply appropriate risk-based controls and sanctions. Customs and other competent authorities will operate an effective declaration or disclosure system for cross-border transportation of currency and bearer negotiable instruments, with powers to restrain cash and bearer instruments suspected to be linked to ML/TF/PF or non-declaration, and to share information with the FIU and foreign counterparts. The NCC will compile and review annually statistics on declarations, seizures, associated STRs, and outcomes of related investigations.

Objective 3: Elevate AML/CFT /CPF risk-based supervision framework in Sri Lanka through robust risk calibration and allocation of more resources to oversight of risk elevated sectors.

Goals:

i. Further strengthen AML/CFT/CPF supervision by prudential supervisors and continue strengthening risk-based joint supervision mechanisms between prudential regulators and the FIU.

ii. Strengthen the regulatory and supervisory framework for real estate agents by establishing an appropriate prudential regulatory mechanism.

iii. Further strengthen preventive controls by integrating AML/CFT/CPF compliance requirements into entry criteria and fit-and-proper assessments of BOs.

iv. Strengthen and expand AML/CFT/CPF supervision of financial inclusion service providers to ensure proportionate risk-based oversight.

v. Strengthen the regulatory and supervisory framework of high-risk DNFBPs and informal sectors[3] through phased formalization and risk-based supervision.

Objective 4: Promote and strengthen overall domestic and international cooperation and coordination.

Goals:

i. Further strengthen coordination mechanisms among regulators and enhance inter-agency cooperation for effective AML/CFT/CPF supervision.

ii. Further strengthen information sharing frameworks among law enforcement agencies to support financial investigations.

iii. Enhance and further strengthen coordination mechanisms among all stakeholders involved in the law enforcement and criminal justice process.

iv. Further strengthen cross-institutional information sharing on typologies, red flags, and STR trends through FIU circulars, guidance, and public–private partnerships (PPPs).

v. Promote and further strengthen international cooperation and coordination in

[3] Building on the NRA 2024–25 findings, Sri Lanka will adopt by 2027 a phased plan to bring high-risk DNFBPs and informal financial sectors—such as unregulated casinos, informal money transfer providers, high-risk real estate intermediaries and unregulated microfinance institutions—within the AML/CFT/CPF framework through licensing/registration, fit-and-proper criteria and risk-based supervision. Sector-specific supervisory plans will define the minimum frequency and scope of on-site and off-site supervision, thematic reviews and enforcement actions, with a focus on sectors rated "Medium-High" for ML/TF risk. Supervisors will collect and publish statistics on inspections, breaches and sanctions to demonstrate effective, proportionate and dissuasive use of powers.

	addressing virtual asset–related risks.
vi.	Strengthen international cooperation on the implementation of targeted financial sanctions (TFS).
vii.	Strengthen and ensure the effective implementation of TFS without delay[4].
viii.	Strengthen the framework for Mutual Legal Assistance (MLA) and international information-sharing by enhancing legal provisions, greater inter-agency coordination, and timely cooperation with foreign counterparts[5].

Objective 5: Enhance institutional capacity and promote AML/CFT/CPF awareness through institutionalized capacity building focusing on heightened threat areas.
Goals: i. Further strengthen institutional capacity by conducting regular and targeted AML/CFT/CPF training programmes for all financial institutions, DNFBPs, and relevant stakeholders. ii. Enhance and further strengthen public and institutional awareness on environmental and natural resource (ENV-NR) crimes, virtual asset and crypto-related scams, tax crimes, BO, TF risks, particularly in relation to NPOs, and PF risk. iii. Enhance and promote awareness of the findings and outcomes of the latest NRA across all relevant public sector stakeholders. iv. Enhance and promote awareness of the findings and outcomes of the latest NRA across all relevant private sector stakeholders.

[4] Sri Lanka will adopt and implement standard operating procedures to ensure that United Nations Security Council designations relating to terrorism and proliferation are transposed into domestic law and implemented without delay. All financial institutions and DNFBPs will be required to maintain screening systems capable of detecting designated persons and entities in real time, to immediately freeze funds and other assets, and to prohibit making funds or services available to such parties, with clear guidance on reporting and processes for delisting and unfreezing. Competent Authorities will maintain statistics on the timeliness of TFS implementation, numbers and values of freezes, and related supervisory and enforcement actions.

[5] Sri Lanka will further strengthen its mutual legal assistance and extradition framework by adopting clear service standards and case-management procedures for handling incoming and outgoing requests, including timelines for acknowledgement, clarification and substantive responses. The central authority and relevant competent authorities will record and monitor the number, type, timeliness and outcomes of MLA and other international cooperation requests, and will use this data to identify bottlenecks and inform resource allocation. Sri Lanka will also promote the use of spontaneous information-sharing and joint or parallel investigations in cases consistent with national priorities and the NRA.

Objective 6: Ensure real time access to up-to-date and accurate AML/CFT/CPF data repositories.
Goals: i. Strengthen data management by creating centralized databases for real estate agents. ii. Enhance data sharing mechanisms among stakeholders. iii. Further strengthen records and e-registration systems for legal persons and legal arrangements. iv. Strengthen centralized data management and skilled staff capacity at the NGO Secretariat. v. Further strengthen beneficial ownership (BO) information systems to ensure accurate, adequate, accessible, and up-to-date data and develop a centralized BO register. vi. Create and maintain comprehensive databases to collect and analyze information from law enforcement agencies, prosecutors, and judges on the proportionality and deterrent effect of ML criminal penalties. vii. Further strengthen STR and other ML indicator databases to improve analysis and risk detection. viii. Enhance integration of utility and tax databases to support independent verification of addresses and income for CDD purposes. ix. Broaden and strengthen the use of existing databases, such as CRIB, beyond credit purposes to support customer due diligence and ongoing monitoring. x. Further strengthen dedicated databases at the IRD for tax-related crimes, at the AGD for case data, and for monitoring bulk cash and precious stones smuggling and related enforcement actions. xi. Establish and maintain a comprehensive statistics and performance monitoring framework to assess the effectiveness of the national AML/CFT/CPF regime[6]. xii. Strengthen mechanisms for providing systematic, timely, and risk-based feedback to Reporting Institutions to enhance the quality of reporting, compliance standards, and overall effectiveness of the AML/CFT/CPF framework[7].

[6] A national AML/CFT/CPF statistics framework will be established by 2027, covering STRs and other reports, financial analysis outputs, investigations, prosecutions, convictions, confiscations, mutual legal assistance and TFS implementation, disaggregated by predicate offence, sector and region where possible. Competent Authorities will agree common definitions and data standards and will provide the NCC with quarterly data to support strategic analysis, policy updates and preparation for Mutual Evaluations and follow-up.

[7] The FIU will provide regular, structured feedback to reporting institutions, including sector-specific typology

Objective 7: Promote financial inclusion in Sri Lanka through a risk-calibrated AML/CFT/CPF regime.
Goals: i. Strengthen financial inclusion by establishing simplified due diligence measures for low-risk clients, aligned with the national financial inclusion mandate. ii. Promote and further strengthen sustainable financial inclusion products that are accessible, safe, and compliant with AML/CFT/CPF requirements. iii. Further strengthen digital infrastructure and delivery channels to expand access to financial services. iv. Enhance financial literacy among low-income and underserved groups to support responsible and informed use of financial services. v. Strengthen the capacity of financial inclusion product and service providers to assess ML/TF/PF risks and share assessment outcomes with regulators. vi. Further strengthen regulatory oversight by reviewing financial inclusion products and services regularly to ensure AML/CFT/CPF compliance. vii. Balance and further strengthen AML/CFT/CPF controls with financial inclusion goals to ensure appropriate, proportional, risk-based measures that do not hinder access to financial services.

Objective 8: Prioritize identification of prudential regulator and implement AML/CFT/CPF obligations for VASPs.
Goals: i. Introduce a national policy on VA/ VASPs regulations. ii. Strengthen the regulatory framework and oversight of VASPs by formally designating a competent authority as the prudential regulator and establishing comprehensive licensing, registration, supervision, and enforcement requirements. iii. Enhance and further strengthen supervisory methodology to assess ML/TF/PF risks in VASP operations and ensure proportionate supervisory measures. iv. Strengthen compliance and transparency by developing and publishing sector-specific guidelines, reporting requirements, and expectations for VASPs. v. Further strengthen coordination mechanisms between the prudential regulator, FIU,

reports, red flags, and aggregated information on STR usage in investigations and prosecutions, to strengthen the quality and usefulness of reporting. This feedback will be disseminated at least annually and evaluated through surveys and supervisory reviews of reporting behaviour.

law enforcement, and other relevant agencies for effective monitoring of VASP activities.

vi. Strengthen capacity-building programmes for supervisors and VASPs on emerging virtual asset risks, red flags, and compliance obligations.

vii. Further strengthen monitoring and risk mitigation procedures for foreign VASPs offering services in Sri Lanka.

Objective 9: Further strenghthen national cyber security protocols.

Goals:

i. Further strengthen cyber security related risk management by requiring periodic assessments of cyber-related ML/TF/PF risks, system vulnerabilities, and exposure to digital fraud across reporting entities.

ii. Strengthen monitoring capabilities by mandating deployment of robust systems to detect suspicious cyber activities, digital transaction anomalies, and fraud attempts.

iii. Further strengthen incident reporting by introducing mandatory timelines and procedures for reporting cyber incidents, breaches, and digital fraud attempts to the FIU and relevant authorities.

iv. Enhance and further strengthen regulatory oversight by enabling regulators to conduct cyber-focused supervisory examinations and enforce compliance with cybersecurity obligations.

v. Strengthen national coordination by establishing mechanisms for sharing cyber threat intelligence, red flags, and typologies among regulators, the FIU, reporting entities, and law enforcement.

vi. Further strengthen capacity-building by conducting ongoing training for reporting entities on emerging cyber threats, ML/TF/PF risks in digital channels, and cybersecurity best practices.

vii. Enhance and further strengthen the enforcement framework by introducing proportionate penalties for non-compliance with mandated cybersecurity obligations.

Objective 10: Continued adoption of new technology for real-time transaction monitoring and risk assessment for FIs and DNFBPs.
Goals: i. Strengthen suspicious transaction detection by encouraging investment in advanced technological transaction monitoring systems. ii. Further strengthen reporting institutions' (RIs) capabilities by promoting implementation of AI, machine-learning, and rule-based real-time transaction monitoring systems. iii. Enhance and strengthen national standards for automated monitoring systems, including data quality, system accuracy, false-positive management, and auditability. iv. Strengthen technology risk management by requiring RIs to conduct periodic assessments of ML/TF/PF risks, system vulnerabilities, and data governance challenges in relation to transaction monitoring. v. Further strengthen regulatory capacity by equipping regulators with tools and expertise to evaluate the adequacy and effectiveness of RIs' technology. vi. Strengthen information sharing by establishing secure platforms for near real-time exchange of risk indicators, typologies, red flags, and cyber-related intelligence between the FIU, regulators, and RIs. vii. Further strengthen innovation in AML/CFT/CPF technology by encouraging pilot testing through sector-specific or cross-sectoral sandboxes led by regulators. viii. Enhance and further strengthen capacity-building by providing training for RIs and regulators on emerging technologies, digital risks, analytics, and real-time monitoring methodologies. ix. Strengthen transparency and accountability by requiring RIs to maintain system logs, decision trails, and validation reports for automated transaction monitoring decisions. x. Further strengthen oversight of third-party technology providers by introducing guidelines for due diligence and ongoing monitoring of their AML/CFT/CPF support functions.

Objective 11: Prioritize implementation of national policy to ensure a secure digital identity system.
Goals: i. Strengthen the reliability and accessibility of the digital identity system by issuing digital identification documents through the Department of Registration of Persons (DRP) and improving the online verification portal with reduced downtimes. ii. Further strengthen customer due diligence (CDD) processes by introducing a shared KYC platform to reduce duplication, enhance accuracy, and streamline verification. iii. Enhance and further strengthen identification processes by implementing a comprehensive biometric-based system to improve efficiency and accuracy in CDD procedures.

Objective 12: Implement proportionate control measures in alignment with the findings of the PF risk assessment.
Goals: i. Strengthen regulatory measures by updating policies and guidelines to address identified proliferation financing (PF) risks proportionately. ii. Implement enhanced screening processes for high-risk customers and transactions to ensure effective mitigation of PF threats. iii. Improve reporting and monitoring mechanisms within financial and designated non-financial businesses and professions (DNFBPs) to detect and prevent PF activities. iv. Develop targeted awareness and training programmes for public and private sector stakeholders to ensure effective implementation of PF control measures.

Objective 13: Enhance legal framework and institutional capacity in alignment with the findings of heightened TF risk.
Goals: i. Strengthen the legal framework by amending existing laws and introducing new provisions to effectively counter terrorist financing (TF). ii. Enhance institutional capacity of regulatory and law enforcement agencies through specialized training, technical support, and allocation of resources for TF investigations. iii. Improve inter-agency coordination and information-sharing mechanisms to support

timely identification and prevention of TF activities.

iv. Develop public-private sector engagement initiatives to foster collaboration in detecting, reporting, and mitigating TF risks.

Objective 14: Enhance institutional capacity in alignment with the elevated threat of drug trafficking.

Goals:

i. Strengthen operational capacity of law enforcement agencies through training, adoption of modern/advance investigative tools, and intelligence-led operations targeting drug trafficking.

ii. Enhance regulatory oversight and monitoring systems to detect and prevent illicit drug-related financial flows.

iii. Improve coordination and collaboration between national and international agencies to effectively address cross-border drug trafficking .

iv. Develop capacity-building programs for public and private sector stakeholders to recognize and respond to drug-related money laundering risks.

v. Increase capacity of the Sri Lanka Navy and the Sri Lanka Coastguard to detect and disrupt, drug trafficking networks.

Objective 15: Improve BO transparency of legal persons and legal arrangements.

Goals:

i. Implement BO registration for legal persons and arrangements and establish a centralized BO registry accessible to competent authorities and reporting institutions.

ii. Strengthen and operationalize the BO transparency framework by establishing comprehensive legal, regulatory, and institutional mechanisms to ensure the timely availability, accuracy, and accessibility of beneficial ownership information to competent authorities[8].

[8] To fully meet revised FATF requirements on beneficial ownership of legal persons and arrangements, Sri Lanka will establish by 2027 a risk-sensitive framework to ensure that beneficial ownership information is adequate, accurate and up-to-date and is available to competent authorities in a timely manner. This will include: (i) clear legal obligations for companies, partnerships and legal arrangements to obtain and maintain BO information; (ii) proportionate verification mechanisms (including cross-checks against tax, utility and credit databases); (iii) effective, proportionate and dissuasive sanctions for non-compliance or provision of false information; and (iv) secure, tiered access for competent authorities, the FIU and reporting institutions in line with data protection requirements. The Registrar of Companies and other relevant registries shall maintain BO data quality controls and publish annual statistics on usage of BO information in supervision, investigations, prosecutions and international cooperation.

2.5. Principles Driving the National Policy on AML/CFT/CPF

The National Policy on AML/CFT/CPF and its Action Plan are guided by the following set of strategic principles that ensure effective implementation. These principles emphasize a risk-based approach, strong legal and institutional frameworks, enhanced coordination among stakeholders, technology-driven solutions, and continuous capacity building to address evolving ML/TF/PF risks.

i. Continuous legal alignment and modernization.
ii. Strengthened investigative, prosecutorial, and asset recovery capabilities.
iii. Risk-based and effective supervision
iv. Enhanced domestic and international cooperation
v. Institutional capacity and awareness building
vi. Real-Time, integrated, and accurate data management
vii. Financial inclusion with risk mitigation
viii. Regulatory oversight of emerging sectors
ix. Cybersecurity and digital resilience
x. Technology-driven AML/CFT/CPF capabilities
xi. Secure and reliable digital identity infrastructure
xii. Proportionate and risk-responsive control measures
xiii. Legal and institutional reinforcement against terrorist financing
xiv. Targeted institutional strengthening to combat drug-related ML threat
xv. Strengthen transparency of ownership structures to prevent misuse of legal persons and legal arrangements for ML/TF purposes

3. Legal Framework

Sri Lanka's AML/CFT /CPF regime mainly comprises of the following three pieces of legislation:

i. Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 (CSTFA), as amended.
ii. Prevention of Money Laundering Act, No. 05 of 2006 (PMLA), as amended.
iii. Financial Transactions Reporting Act, No. 06 of 2006 (FTRA)

4. National Coordination

Sri Lanka has established a two-tier coordination structure uniquely positioned to address AML/CFT/CPF gaps.

i. National Coordinating Committee (NCC): Provides strategic oversight at the apex level
ii. AML/CFT/CPF Task Force: Drives operational implementation with judicial leadership

5. Regulatory Framework

Multiple regulatory institutions supervise and regulate the financial and non-financial sectors of Sri Lanka.

A. Financial Sector Regulators

a. Central Bank of Sri Lanka
   i. Bank Supervision Department
   ii. Department of Supervision of Non-Bank Financial Institutions
   iii. Department of Foreign Exchange
   iv. Payments and Settlements Department
   v. The Financial Intelligence Unit
b. Securities and Exchange Commission of Sri Lanka
c. Insurance Regulatory Commission of Sri Lanka
d. Department of Co-operative Development

B. DNFBP Sector Authorities and Self-Regulatory Bodies

a. National Gem and Jewellery Authority
b. Institute of Chartered Accountants of Sri Lanka
c. Self-Regulatory Bodies (Bar Association of Sri Lanka, Institute of Real Estate Professionals)
d. Department of Registrar of Companies
e. Condominium Management Authority
f. Gambling Regulatory Authority

6. Law Enforcement Framework

The following agencies have the authority to enforce law and order:

i. Sri Lanka Police
ii. Commission to Investigate Allegations of Bribery or Corruption
iii. Excise Department of Sri Lanka
iv. Inland Revenue Department
v. Department of Immigration and Emigration
vi. Sri Lanka Customs

7. Other Public Stakeholders

i. Colombo Port City Economic Commission
ii. Ministry of Finance
iii. Ministry of Defence
iv. Ministry of Foreign Affairs
v. Ministry of Justice
vi. Department of Imports and Exports Control
vii. Attorney General's Department
viii. National Secretariat for NGOs
ix. Registrar General's Department
x. Legal Draftsman's Department

8. Reporting Institutions

The FIU has extended its reporting requirements for Cash Transaction Reports (CTRs) and Electronic Fund Transfers (EFTs) to the following institutions:

i. Financial Institutions

a. Licensed Commercial Banks
b. Licensed Specialized Banks
c. Licensed Finance Companies
d. Stockbrokers
e. Insurance Companies
f. Insurance Brokers
g. Money or Value Transfer Service Providers
h. Restricted Dealers
i. Primary Dealers
j. Licensed Microfinance Companies
k. Co-operative Societies
l. Virtual Asset Service Providers

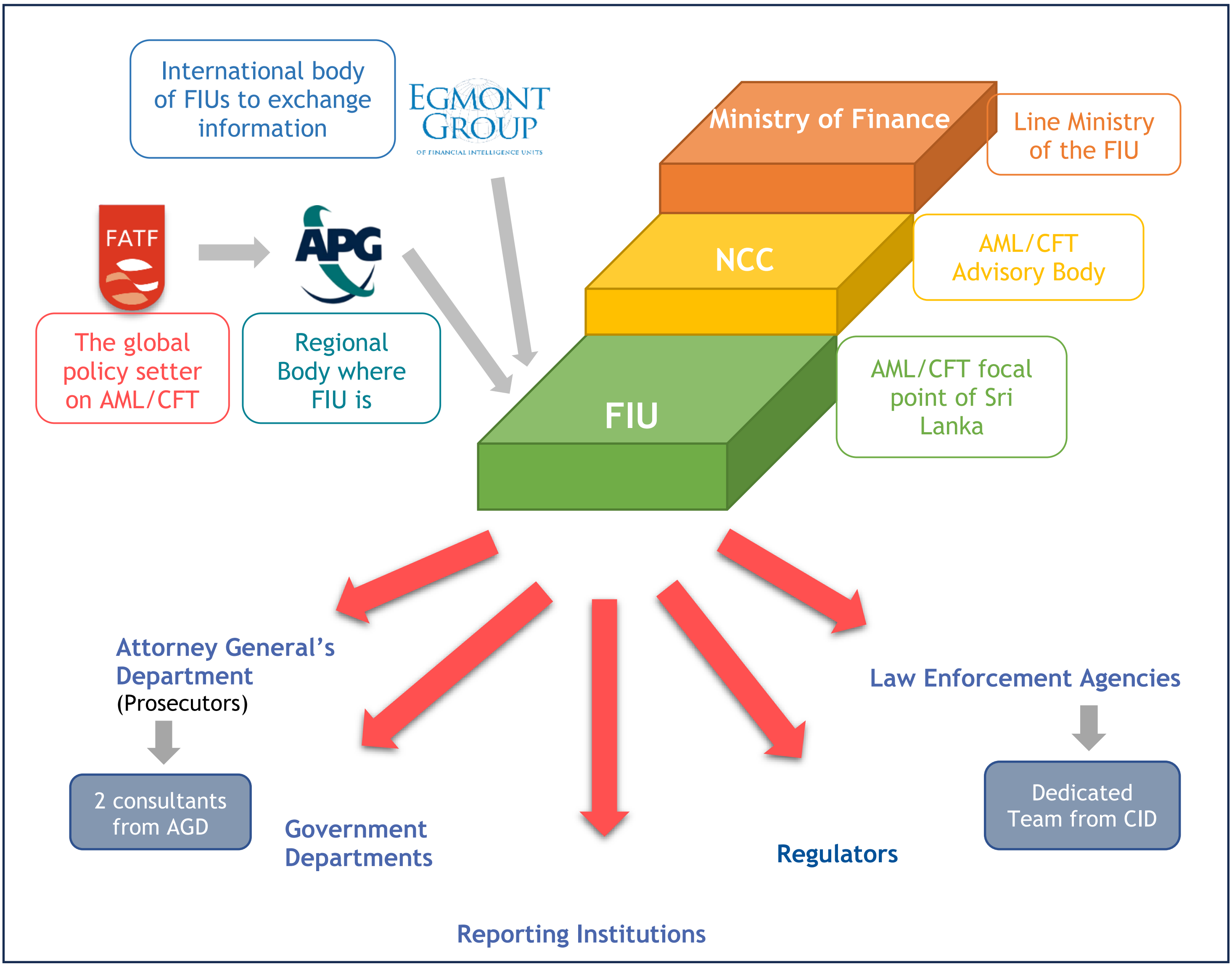
ii. Designated Non-Financial Businesses and Professions

a. Gem and Jewellery Dealers
b. Real Estate Agents
c. Casinos
d. Lawyers, notaries and other independent legal professionals
e. Accountants
f. Trusts or Company Service Providers

Further, all institutions engaged in finance business and designated non finance business within the meaning of the FTRA are required to report Suspicious Transaction Reports in terms of the FTRA.

9. AML/CFT GOVERNING STRUCTURE OF SRI LANKA

Figure 4: AML/CFT Governing Structure of Sri Lanka



10. Conclusion

The National Policy for AML/CFT/CPF 2026 - 2030 was developed under the guidance of the NCC, which holds overall responsibility for coordinating, monitoring, and evaluating its implementation.

All designated institutions are expected to integrate the objectives and goals of the National Policy into their respective policies and strategies, and to ensure their effective achievement, thereby contributing to the robustness of Sri Lanka's AML/CFT/CPF framework.