

## 10.7 Other Operations - Procurement Process

According to the Rules of the Central Bank, FD is represented in all Technical Evaluation Committees and Tender Boards for procurement of goods and services and the Boards of Survey of the Bank for disposal of fixed assets. During the year 2021, officers of FD were represented in 152 Tender Boards and 75 Technical Evaluation Committees related to procurements.

## 11. FINANCIAL CONSUMER RELATIONS

The Financial Consumer Relations Department (FCRD) was established in August 2020 with the view to strengthen the financial consumer protection framework within the financial entities regulated by the Central Bank. The department has initiated measures to introduce new regulations on financial consumer protection while handling the complaints/grievances and inquiries of general public with respect to regulated entities, referred to the Central Bank. FCRD has received 6,186 complaints/grievances during 2021, with an average of around 500 complaints per month. Out of the complaints/grievances that requires FCRD action, more than 94 per cent were attended with FCRD action. FCRD observed that most of the complaints/grievances were from COVID-19 affected small and medium scale businesses and individuals with respect to moratorium matters, rescheduling of loans, high interest rates, unacceptable/unethical practices and early settlement of credit facilities. In August 2021, FCRD introduced a simplified complaint submission form (CSF) to ensure the completeness of complaints/grievances submitted to FCRD and expedite the processing of such submissions. Further, it will facilitates the automation of the information submitted by financial consumers in their complaints which is useful in analysing complaint data for policy decisions.

FCRD with the support of relevant other departments was able to set up a Contact Centre for the Central Bank with outsourced staff in May 2021. The new Contact Centre is provided with all the facilities required for a modern call center operation. Accordingly, the Central Bank Contact Centre now operates with tri-linguistic and call recording facilities during working hours. Further, in August 2021, FCRD, with a view of providing more convenience and accessibility to the general public, introduced a telephone Hotline – 1935 dedicated to contact the Central Bank via any phone line in Sri Lanka. The Contact Centre answers more than 5,000 telephone inquiries on a monthly basis. Furthermore, as part of consumer awareness, FCRD published a web poster highlighting the rights of financial consumers while continuing awareness programmes such as seminars, webinars, and interviews.

## 12. FINANCIAL INTELLIGENCE UNIT

Amidst the numerous challenges that arose from the COVID-19 pandemic, the Financial Intelligence Unit (FIU) of the Central Bank worked towards achieving the objective of establishing an effective Anti-Money Laundering and

Combating the Financing of Terrorism (AML/CFT) framework in Sri Lanka, together with its domestic and international stakeholders.

The AML/CFT regime of Sri Lanka is built on three major legislation, i.e. the Prevention of Money Laundering Act No. 5 of 2006 (PMLA), Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 (CSTFA), and Financial Transactions Reporting Act No. 6 of 2006 (FTRA). FIU was established under the FTRA and is responsible for implementing the provisions of the same. Accordingly, FIU, as the lead AML/CFT regulator of the country, has reached out to majority of the Financial Institutions (FIs) and Designated Non-Finance Businesses and Professions (DNFBPs) under the AML/CFT regime of the country to ensure compliance with the recommendations of the Financial Action Task Force (FATF) (international standards on AML/CFT and Proliferation Financing). The key functions of FIU include, reviewing and amending relevant Acts, Regulations and Rules on AML/CFT in line with current market developments and international best practices, disseminating financial intelligence to appropriate Law Enforcement Agencies (LEAs) and Supervisory Authorities (SAs) through conducting strategic and operational analysis, strengthening risk-based AML/CFT supervision in FIs and DNFBPs to combat Money Laundering/Terrorist Financing (ML/TF) in Sri Lanka, and implementing provisions of the Targeted Financial Sanctions in United Nations Security Council Resolutions (UNSCRs).

### 12.1 Intelligence Management

In terms of the mandatory requirements, Reporting Institutions (RIs) continued to submit information on financial transactions, including suspicious transactions, during the year 2021 through 'LankaFin', a web-based system specially designed to assist in fulfilling threshold reporting and other reporting requirements. Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Licensed Finance Companies (LFCs), insurance companies, stockbrokers and money or value transfer service providers continued to report to FIU on Cash Transactions (CTRs) and Electronic Funds Transfers (EFTs), both local and foreign, of Rs. 1.0 million and above, or its equivalent in foreign currencies. During 2021, RIs reported 5.7 million (provisional) CTRs and 9.2 million (provisional) EFTs. In addition, RIs submitted 4,696 Suspicious Transactions Reports (STRs) to FIU in terms of Section 7 of FTRA. After operational and strategic analyses of the STRs received, 1,830 STRs were disseminated to Law Enforcement Authorities (LEAs) and Regulatory Authorities (RAs) for further investigations. 2,220 STRs were kept under surveillance, and 641 STRs were kept for initial analysis and further studies, while the remaining STRs were categorised as no further action required.

In order to enhance the analysis and dissemination functions, FIU introduced the 'goAML' AML/CFT reporting and analysis system to RIs. During 2021, FIU configured the system and commenced major reporting functions of

the system. The live operations of the threshold and STR reporting of 'goAML' were commenced in February 2022.

## 12.2 Legal Framework and Institutional Compliance

With the objective of improving the effectiveness of the AML/CFT regime of the country, FIU initiated legislative amendments to FTRA and assisted in making amendments to PMLA and CSTFA during 2021. These amendments are expected to come into effect by the end of 2022.

By virtue of the powers vested in terms of Section 15 (2) of FTRA, during the year 2021, FIU took measures to suspend transactions of 163 accounts belonging to 28 individuals and 8 entities pertaining to 17 incidents/cases, based on the suspicions of ML/TF. Accordingly, a balance of Rs. 77.0 mn (Cr.), Rs. 0.9 mn (overdrafts), and US Dollars 12,200 were suspended during the year. In addition, around 1,000 accounts relating to 64 cases, which were suspended in the previous years, were extended in two-month intervals during the year as LEAs requested further time to conduct investigations.

FIU issued several guidelines and circulars to strengthen the AML/CFT supervision process and institutional compliance during 2021, which are available in Part III of the Central Bank Annual Report. Further, FIU took continuous measures to enhance compliance by RIs by effective monitoring and enforcement, onsite and offsite surveillance, and conducting compliance review meetings. Despite the limitations experienced in conducting planned onsite examinations due to the pandemic situation that prevailed in the country, FIU conducted two risk-based onsite examinations, seven joint risk-based onsite examinations, seven spot examinations, and four offsite follow-up examinations to assess AML/CFT compliance of RIs. In addition, seven thematic reviews were conducted on FIs as well as DNFBBs. The scope of AML/CFT supervision of DNFBBs was further expanded by implementing continuous measures to enhance the number of DNFBB institutions which come under the purview of FIU to strengthen the AML/CFT compliance within this sector.

FIU also continued to take regulatory action for AML/CFT non-compliances by imposing penalties, issuing warning letters and showcause letters, issuing time-bound action plans, and conducting follow-up meetings. Moreover, FIU imposed financial penalties amounting to LKR 10.5 million for four LCBs and five LFCs during 2021 on violations of CDD Rules in relation to United Nations sanctions screening, customer identification and verification, Suspicious Transactions Reporting, and implementation of proper risk controls and mitigation measures.

## 12.3 National Risk Assessment on Money Laundering and Terrorist Financing (ML/TF NRA)

Complying with Recommendation 1 of the FATF Recommendations, in 2021, FIU initiated conducting the 2nd ML/TF NRA of Sri Lanka with the assistance of the World

Bank and participation of 66 private and public stakeholder agencies. The World Bank conducted its introductory session on 15 July 2021, marking the official commencement of NRA Sri Lanka, using the Webex platform. Subsequently, 13 workshops were conducted for the working groups.

## 12.4 Domestic and International Cooperation

In terms of FTRA, FIU can enter Memoranda of Understanding (MOUs) to exchange information with any institution or agency domestically or in a foreign state. Accordingly, during 2021, FIU initiated signing MOUs with several domestic agencies and foreign FIUs.

FIU is supervised by FATF jointly with the Asia Pacific Group on Money Laundering (APG). Due to the pandemic, APG conducted its Annual Plenary virtually in the month of July 2021 and a special plenary was held virtually in November 2021. Further, Mutual Evaluation Committee (MEC) Meetings were held virtually during June, July, September, and November 2021. The 6th follow-up Mutual Evaluation Report on Sri Lanka was discussed at the virtual MEC held in September 2021. In this progress report, Sri Lanka requested upgrades to Recommendation 32 on 'Cash Couriers' and Recommendation 40 on 'Other Forms of International Cooperation', which were rated as Partially Compliant (PC) in 2015. The membership agreed to upgrade the rating of Recommendation 32 from 'Partially Compliant' to 'Largely Compliant' while the rating of Recommendation 40 remains same. Thus, out of 40 FATF recommendations, by the end of 2021, Sri Lanka's ratings had improved to 7 Compliant, 25 Largely Compliant, 7 Partially Compliant, and 1 Non-Compliant.

FIU obtains assistance from members of the Egmont Group, i.e. the Association of global FIUs consisting of 166 members, to carry out investigations and collaborate with member countries to gather intelligence about their investigations. During 2021, FIU responded to 33 requests from counterpart FIUs and made 22 requests from counterpart FIUs to share information relating to ongoing investigations. The Egmont Plenary for 2021 was not held as scheduled. However, Working Group meetings, Head of FIUs meeting and Regional Meetings were held virtually and officials of FIU participated in these meetings.

## 12.5 Institutional Capacity Building and Awareness Programmes

Continuing the efforts to enhance the awareness on AML/CFT, FIU provided resource assistance for 50 awareness/training programmes during the year 2021 accommodating more than 3,000 participants from FIs, DNFBBs, LEAs and RAs. These programmes were conducted face-to-face as well as through online platforms. Further, FIU issued several press notices on risks related to informal money transfer schemes, which were published in newspapers and shared on various social media networks.