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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

මූල්‍ය මුද්ධි ඒකකය
நிதியியல் உளவறிதற் பிரிவு
FINANCIAL INTELLIGENCE UNIT

අංක 30, ජනාධිපති මාවත, කොළඹ 01, ශ්‍රී ලංකාව
இல. 30, சனாதிபதி மாவத்தை, கொழும்பு - 01, இலங்கை
No. 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka

Circular - 02/2023

June 07, 2023

To: Board of Directors/Chief Executive Officers of Real Estate Institutions

Institutional Compliance of Real Estate Sector under the Financial Transactions Reporting Act, No. 06 of 2006

It has come to the attention of the Financial Intelligence Unit (FIU) that the Institutions engaged in real estate business are not carrying out customer due diligence measures in the manner and form required by the Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018 issued under the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA).

In order to function in a level playing field to mitigate the money laundering and terrorist financing risks to the sector, you are hereby required to,

- i. Conduct Customer Due Diligence (CDD) measures in terms of the Section 2 of the FTRA and Part II of the Designated Non-Finance Business (CDD) Rules, No. 1 of 2018.
- ii. Carry out suspicious transaction reporting requirement where applicable, for the real estate agents under the purview of the Section 7 of the FTRA.
[Your attention is further drawn to the Schedule V of the Suspicious Transactions (Format) Regulations of 2017 (Annex I) and as a guidance for you to identify the suspicious transactions, a list of red flags applicable for the real estate sector is provided in the Annex II to this letter].
- iii. Prevent any person of the Institution divulging information on a Suspicious Transaction Report (STR) to the party involved in the STR or to a third party, as required by the Section 9 of the FTRA.
[Please note that the STRs are treated with strict confidentiality under the powers vested to the FIU by the FTRA].

Accordingly, you are hereby advised to ensure Institution's continuous compliance with the above requirements.

Yours faithfully,


Director

Financial Intelligence Unit

Cc: Compliance Officers of Real Estate Institutions

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Schedule V

CONFIDENTIAL

Province :

District :

SUSPICIOUS TRANSACTION REPORT		
<p>a. This report is made pursuant to the requirement to report suspicious transactions under the Financial Transaction Reporting Act, No. 6 of 2006</p> <p>b. Under Section 12 of the Act, no civil, criminal or disciplinary proceedings shall be brought against a person who makes such report in good faith</p>		
PART A - DETAILS OF REPORT		
1	Date of Sending Report	
2	Is this replacement to an earlier report?	Yes <input type="checkbox"/> No <input type="checkbox"/>
PART B - INFORMATION ON SUSPICION		
3	Name in Full (if organization, provide registered business/organization name)	
4	Residential/ Registered Address	
5	NIC No. / Passport No./ Business Registration No.	
6	Gender	Male <input type="checkbox"/> Female <input type="checkbox"/>
7	Country of Residence and Nationality (if an individual)	
8	Business/ Employment Type	
9	Occupation (where appropriate, principal activity of the person conducting the transaction)	
10	Name of Employer (where applicable)	
11	Contact Details	
PART C - DESCRIPTION OF SUSPICION		
12	Details of Transaction / Activity	

13	Ground / Reasons for Suspicion	
PART D - DETAILS OF REPORTING PERSON		
14	Date of Reporting	
15	Signature	
16	Name of Reporting Person/Agency	
17	NIC Number	
18	Designation / Occupation	
19	Address	
20	Contact Details	

Anti-Money Laundering/Countering the Financing of Terrorism Suspicious Indicators (Red Flags) for Real Estate Agents: (Red flags copied from relevant typologies)

1. Customer purchases property in the name of a nominee such as a subordinate or a relative (other than a spouse), or in the name of minors or incapacitated persons or other persons who do not have the economic capacity to carry out such purchases.
2. Customer does not want to put their name on any document that would connect them with the property or submit different names on offer letters to purchase or closing documents and deposit receipts.
3. Customer tries to hide the identity of the beneficial owner or requests that the transaction be structured to hide the identity of the beneficiary.
4. Purchaser is a shell company and a representative of the company who do not like to disclose the identity of the beneficial owner.
5. Knowingly incorrect or incomplete information on the identity of a participant or beneficial owner.
6. Address given by customer is unknown, believed to be false, or simply a correspondence address.
7. Customer does not satisfactorily explain the last-minute substitution of the purchasing party's name.
8. Customer pays substantial down payment in cash and balance is funded by an unusual source or an offshore bank.
9. Customer purchases property without inspecting it. It realizes that the customer needs to fund for the property and not much worries about the location or any other characteristic of the property.
10. Customer purchases many properties in a short time, and seems to have few concerns about the location, condition, and anticipated repair costs, etc., of each property.
11. Customer is known to have paid large remodelling or home improvement invoices with cash, on a property for which property management services are provided.
12. Transaction does not match the business activity known to be carried out by the customer.
13. Transaction is entered at a value significantly different (much higher or much lower) from the real or market value of the property.
14. Property is sold in a series of successive transactions each time at a higher price between the same parties.
15. Buyer takes on a debt significantly higher than the value of the property.
16. Customer suddenly cancels / aborts transaction and requests refund either back to himself /herself / itself or to a third party.
17. Customer pays for the purchase entirely in cash (to include electronic funds transfers), especially when such a purchase is large or does not match the known profile of the customer, and especially when the purchase funds are transferred from an offshore jurisdiction.

NB: The above list is only indicative and not an exhaustive list of all possible indicators.

