

**Table II-24**  
**Portfolio Position (Rs. bn.)**

Department	Portfolio value as at 31 Dec 2020 (invested values)	Portfolio value as at 31 Dec 2019 (invested values)
Finance	64.87	59.96
Resolution and Enforcement	60.43	64.06
Regional Development	6.33	6.07
Staff Services Management	0.06	0.08
<b>Total</b>	<b>131.69</b>	<b>130.17</b>

### 10.5 Maintaining Fixed Assets Register

FD maintains all records of fixed assets of the Central Bank in the Fixed Assets Register in the fixed asset module of the General Ledger System. All changes such as new purchases, change of locations, revaluations, depreciation and disposals were recorded in this register during the year 2020. The register was updated during 2020 with 1,088 items procured and 24 disposals. A revaluation of all land and buildings held by the Central Bank was carried out as at 31 December 2020, and the resulting values were included in the Bank's financial statements.

### 10.6 Maintaining the database of staff loans

FD continuously updated the loan database of the Central Bank staff with the assistance of the Information Technology Department to facilitate the loan recovery recording process and to supply information to employees and to the Management, during the year 2020. A total of 1,320 loans amounting to Rs 1.39 billion were granted to employees during 2020.

### 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 Central Bank for disposal of fixed assets. During the year 2020, officers of FD represented 75 Tender Boards and 66 Technical Evaluation Committees related to procurements.

## 11. FINANCIAL CONSUMER RELATIONS

Financial Consumer Relations Department (FCRD) was established on 10.08.2020 by the Central Bank under the provisions of Section 33 of the Monetary Law Act No. 58 of 1949, as amended. FCRD serves as a single point of contact for receipt and dissemination of all external complaints and grievances directed by consumers of the Central Bank regulated entities. The entities regulated by the Central Bank that come under the purview of FCRD are Licensed Commercial Banks, Licensed Specialised Banks, Licensed Finance Companies, Specialized Leasing Companies, Primary Dealers, and Participants of Payments and Settlement Systems.

From 2022, FCRD will focus on supervising standards of market conduct, formulating financial consumer protection

policies in line with the local and international market developments and best practices, taking proactive and reactive measures with respect to malpractices and misconducts whilst identifying and monitoring emerging vulnerabilities in issues related to financial consumer protection.

The department has received a significant amount of complaints, grievances and inquiries related to entities regulated by the Central Bank. Since its inception, the total number of calls attended to by FCRD during 2020 was over 22,000 while the number of faxes, emails and letters received during the same period was over 3,500. FCRD is planning to set up a new Contact Center at the Central Bank, which is expected to be operative by the first quarter of 2021.

## 12. FINANCIAL INTELLIGENCE UNIT

Financial Intelligence Unit (FIU) of the Central Bank has continuously demonstrated its pursuit to achieve the objective of establishing an effective Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework in Sri Lanka, in close cooperation with national and international authorities since its inception. FIU, which was established in 2006 under the Financial Transactions Reporting Act No. 6 of 2006 (FTRA), functions as an independent statutory authority and acts as the lead AML/CFT regulator of the country. In addition, FIU has covered the majority of Financial Institutions (FIs) and Designated Non-Finance Businesses and Professions (DNFBPs) under the AML/CFT regime of the country in order to comply with the international standards on AML/CFT and Financial Action Task Force (FATF) Recommendations, and is supervised by FATF jointly with the Asia Pacific Group on Money Laundering (APG). The key functions of FIU include collection and receipt of information on financial transactions for the purpose of detecting possible links to Money Laundering (ML), Terrorist Financing (TF), Proliferation Financing (PF) and other related unlawful activities defined in the FTRA, analysis of suspicious financial transactions relating to the above unlawful activities and dissemination of information of such analyses to relevant law enforcement authorities for investigation. The country's AML/CFT regime also consists of two others major (pieces of) legislation, i.e. the Prevention of Money Laundering Act No. 5 of 2006 (PMLA) and the Convention on the Suppression of Terrorist Financing Act No. 25 of 2005 (CSTFA), where FIU is involved in implementing their provisions effectively.

### 12.1 Receipt, Analysis and Dissemination of Information

In terms of the mandatory requirements, during the year 2020, Reporting Institutions (RIs) continued to submit information on financial transactions, including suspicious transactions, through a web-based system, "LankaFin", especially designed to assist in reporting on ML and TF. Licensed Commercial Banks (LCBs), Licensed Specialised Banks (LSBs), Licensed Finance Companies (LFCs), Insurance Companies (ICs), Stock Brokers (SBs), and Money or Value

Transfer Service (MVTs) 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 each, or its equivalent in foreign currencies. Accordingly, in 2020, RIs reported 3.8 million (provisional) CTRs and 6.5 million (provisional) EFTs. In addition, Suspicious Transactions Reports (STRs) were reported to FIU by the RIs in terms of Section 7 of the FTRA. After operational and strategic analyses of received STRs, they were referred to Law Enforcement Authorities (LEAs) and Regulatory Authorities (RAs) for further investigation. 3,665 STRs were reported to FIU during 2020, and FIU disseminated a total of 2,801 STRs to LEAs and RAs for further investigations.

## 12.2 Regulation of Reporting Institutions

With a view to strengthening the AML/CFT supervision process and institutional compliance, FIU issues Regulations, Rules and Guidelines to FIs as well as DNFBPs. Accordingly, FIU issued several Guidelines during the year 2020 on “Scenario-based LankaFIN Reporting for LFCs, ICs and SBs”, “AML/CFT Compliance Obligations for Accountants and Trusts or Company Service Providers”, and “Non-Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons”.

Similarly, FIU took continuous measures to enhance compliance of RIs by effective monitoring and enforcement, onsite and offsite surveillance, raising awareness through seminars, and conducting compliance review meetings on AML/CFT to RIs. In line with that, FIU conducted 18 risk-based onsite examinations, including 7 follow-up examinations, and 16 spot examinations to FIs, as well as 18 risk-based onsite examinations to DNFBPs to assess compliance with the FTRA, Customer Due Diligence (CDD) Rules, and other regulations and rules issued by FIU. During 2020, several thematic reviews were also conducted on FIs as well as DNFBPs, due to the limitations that were experienced in conducting planned onsite examinations as a result of the COVID-19 pandemic situation in the country.

Further, during 2020, FIU undertook other regulatory actions regarding AML/CFT non-compliances by FIs and DNFBPs, such as imposing penalties, issuing warning letters and show cause letters, issuing time-bound action plans, and conducting follow-up meetings. Moreover, FIU imposed financial penalties amounting to Rs. 3.3 million on 5 LFCs for the year 2020.

## 12.3 Domestic and International Cooperation

### (a) Memoranda of Understanding

As per Section 15 (1) (r) of the FTRA, FIU is vested with the legal authority to enter into a Memorandum of Understanding (MOU) with any government institution or agency with respect to the exchange of information.

Accordingly, during 2020, FIU entered into an MOU with the Chief of National Intelligence with a view to sharing information to facilitate the analysis process of FIU. Accordingly, the total number of MOUs signed with domestic agencies by FIU increased to 12 as at end 2020.

Further, in terms of Sections 16 and 17 of the FTRA, FIU can enter into agreements for the exchange of information regularly with any institution or agency of a foreign state with the approval of the Minister of Finance. Accordingly, negotiations were initiated to sign MOUs with 2 foreign FIUs during 2020.

### (b) Egmont Group

FIU obtained assistance from members of the Egmont Group, the Association of global FIUs consisting of 166 members, in order to carry out investigations and collaborate with member countries to gather intelligence on their investigations. During 2020, FIU responded to 34 requests from counterpart FIUs and made 34 requests from counterpart FIUs to share information relating to on-going investigations. Further, FIU officers participated in the Egmont Working Group meetings held in Mauritius in January 2020. However, as a result of the circumstances caused by the COVID-19 pandemic, the Egmont Group Plenary, originally scheduled for July 2020, was postponed to July 2021.

### (c) Asia Pacific Group on Money Laundering (APG)

Due to the pandemic, the APG did not conduct its annual plenary in 2020. However, FIU participated in several virtual Mutual Evaluation Committee (MEC) meetings held during the year, mainly to discuss the members' mutual evaluation reports and follow-up reports.

The Follow-up Mutual Evaluation Report on Sri Lanka was discussed at the virtual MEC held in October 2020. Out of 40 Recommendations, Recommendation 14 on Money or Value Transfer Service Providers, which was rated as non-compliant in 2015, was re-rated to Largely Compliant with the progress reported, and the Largely Compliant rating given in 2015 to Recommendation 15 on New Technologies was re-rated to Partially Compliant due to the fact that Sri Lanka had not taken actions to fulfil the new requirements imposed by the FATF in October 2019. Accordingly, out of 40 FATF recommendations, by end 2020, Sri Lanka's ratings stood as, 7 Compliant, 24 Largely Compliant, 8 Partially Compliant, and 1 Non-Compliant.

## 12.4 Institutional Capacity Building and Awareness Programmes

Awareness building is vital for the establishment of an effective AML/CFT regime in the country. Accordingly, continuing the efforts to enhance the awareness on detecting,

analysing and reporting of ML and TF related transactions, 19 awareness/training programmes were conducted during the year, accommodating 1,881 participants. This included face-to-face programmes as well as online programmes. FIU initiated a series of measures to further strengthen the LEAs' efforts in combating ML related to the illicit drug trade, to increase the awareness of ML investigations among investigating officers of Sri Lanka Police, and to continuously coordinate with investigators, prosecutors and FIs to support the LEAs' efforts. A workshop was also conducted to enhance awareness of suspicious financial transactions related to drug trafficking for the board of directors and the senior management of licensed banks.

Furthermore, several high-level workshops and web conferences were organised by FIU for the board of directors and the senior management of licensed banks and LFCs to enhance awareness of their obligations on AML/CFT compliance. The Resident Advisor from the US Department of Treasury also continued to provide technical assistance to improve the quality and effectiveness in FIU operations, AML/CFT supervision and AML/CFT case management.

### 13. FOREIGN EXCHANGE

Department of Foreign Exchange (DFE), which was established on 20 November 2017, continued to carry out the responsibility vested in the Central Bank as the agent of the Government for implementing the provisions of Foreign Exchange Act No. 12 of 2017 (FEA), in order to ensure proper promotion and regulation of foreign exchange in Sri Lanka.

The main functions of DFE are as follows.

- a) Appointing Authorised Dealers (ADs), Restricted Dealers (RDs) and other persons to deal in foreign exchange as prescribed by the Hon. Minister of Finance in terms of the FEA
- b) Implementing provisions of the FEA by formulating Regulations and Orders and issuing of Directions for carrying out foreign exchange activities and transactions
- c) Granting permissions for specific purposes not covered by the general permissions given under the FEA
- d) Conducting policy-oriented studies to determine the effectiveness of existing policies and to identify requirements for new policies in line with developments in the foreign exchange market
- e) Monitoring compliance with the Regulations, Orders and Directions issued under the FEA by respective authorised persons and conducting investigations on non-compliances with the provisions of the FEA
- f) Providing clarifications for inquiries on foreign exchange transactions and preparing relevant sections pertaining to foreign exchange regulations and policies for the reports and publications of the Central Bank

Accordingly, the Department consists of three divisions namely, Policy and Research Division, Capital Transactions Division and Statistics, and Monitoring and Investigation Division. A summary of the main functions and activities performed by DFE during 2020 is given below.

#### 13.1 Facilitating the issuance of new Regulations, Orders and Directions

##### (a) Facilitating the Issuance of Regulations

During the year, DFE facilitated issuance of four Regulations by Hon. Minister of Finance under the FEA, mainly focusing on attracting fresh inward remittances during the current economic downturn experienced by the country. These four Gazette Notifications are given in Part III of this Report and titles are given below.

- i. Regulations issued under Section 29 of FEA read with Section 7 of FEA dated 08 April 2020, as published in the Gazette (Extraordinary) Notification No. 2170/4
- ii. Regulations issued under Section 29 of FEA read with Section 7 of FEA dated 01 July 2020 as published in the Gazette (Extraordinary) Notification No. 2182/32
- iii. Regulations issued under Section 29 of FEA read with Section 7 of FEA dated 06 October 2020 as published in the Gazette (Extraordinary) Notification No. 2196/22
- iv. Regulations issued under Section 29 of FEA read with Section 7 of FEA dated 17 November 2020 as published in the Gazette (Extraordinary) Notification No. 2202/7

##### (b) Facilitating the Issuance of Orders

DFE facilitated issuance of four Orders with a view to minimise the pressure on the exchange rate and possible negative impact to the Sri Lankan economy due to the COVID-19 pandemic. The titles of such Orders are given below and relevant Gazette Notifications are given in Part III of this Report.

- i. Order under Section 22 of FEA as published in the Gazette (Extraordinary) Notification No. 2169/3 dated 02.04.2020
- ii. Order under Section 8 of FEA as published in the Gazette (Extraordinary) Notification No. 2182/33 dated 01.07.2020
- iii. Order under Section 22 of FEA as published in the Gazette (Extraordinary) Notification No. 2182/37 on 02.07.2020
- iv. Order under Section 22 of FEA as published in the Gazette (Extraordinary) Notification No. 2206/25 dated 18.12.2020