



Issued By Financial Intelligence Unit

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Imposition/ Collection of Administrative Penalties by the Financial Intelligence Unit (FIU) to Enforce Compliance on Financial Institutions from 17 November 2022 to 31 March 2023.

By virtue of the powers vested under Section 19 (1) read together with section 19 (2) of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA), financial penalties are imposed on Institutions for non-compliance with the provisions of the FTRA. The penalty may be prescribed taking into consideration the nature and gravity of relevant non-compliance of the Financial Institution.

Accordingly, as Sri Lanka's regulator for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), the FIU collected penalties as indicated below, amounting to Rs. 5.5 million in total from 17 November 2022 to 31 March 2023 to enforce compliance on Financial Institutions. The money collected as penalties were credited to the Consolidated Fund.

1. Pradeshiya Sanwardhana Bank

Date of Imposition : 21 February 2023
Amount : LKR 500,000.00 (Rupees five hundred thousand)
Date of Payment : 21 March 2023

Reason for the imposition of the penalty:

The administrative penalty was imposed for failure to adhere to FTRA and Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules) in relation to sanctions screening and conducting CDD measures for pawning auction buyers. The bank had failed to screen individual customers against United Nations Security Council Resolution (UNSCR) lists of designated persons or entities at the time of onboarding, maintain all relevant UNSCR lists of designated persons or entities as well as establish any mechanism to screen the existing customer base when the UNSCR lists were updated in order to ensure

that no business relationship was held by or linked to any of the entities or individuals included in the updated designated lists. Although lapses in systems and procedures were observed, instances of business relationships maintained with designated individuals or entities by Pradeshiya Sanwardhana Bank were not revealed. Further, the bank had failed to conduct CDD measures and obtain a copy of the identification document from a buyer of pawning auction held on 28.05.2022.

2. HDFC Bank of Sri Lanka

Date of Imposition : 21 February 2023
Amount : LKR 1,000,000.00 (Rupees one million)
Date of Payment : 21 March 2023

Reason for the imposition of the penalty:

The administrative penalty was imposed for failure to comply with the FTRA and CDD Rules in relation to sanctions screening and reporting of financial transactions. The bank had failed to maintain all relevant UNSCR lists of designated persons or entities, screen all customers against UNSCR lists of designated persons or entities at the time of onboarding and establish any mechanism to screen the existing customer base when the UNSCR lists were updated in order to ensure that no business relationship was held by or linked to any of the entities or individuals included in the updated designated lists. Although lapses in systems and procedures were observed, instances of business relationships maintained with designated individuals or entities by HDFC Bank of Sri Lanka were not revealed during the on-site examination. Further, the bank had failed to report pawning and pawning auction transactions exceeding Rupees One Million (Rs. 1,000,000.00).

3. Seylan Bank PLC

Date of Imposition : 21 February 2023
Amount : LKR 1,000,000.00 (Rupees one million)
Date of Payment : 21 March 2023

Reason for the imposition of the penalty:

The administrative penalty was imposed for failure to comply with the CDD Rules in relation to sanctions screening. The bank had failed to screen customers against UNSCR lists of designated persons or entities at the time of onboarding and failure to screen existing customer base as the bank has established and maintained business relationship with a person (guardian of a minor account) who is designated under United Nations Regulations No. 1 of 2012.

4. Sampath Bank PLC

Date of Imposition : 23 February 2023
Amount : LKR 1,000,000.00 (Rupees one million)
Date of Payment : 09 March 2023

Reason for the imposition of the penalty:

The administrative penalty was imposed for failure to comply with the FTRA and CDD Rules in relation to conducting proper ongoing CDD and reporting of suspicious transactions. The bank had failed to identify transaction patterns and verify the source of income which deviated from the customer profile and consider raising suspicious transaction reports (STRs) for four accounts.

5. Hatton National Bank PLC

Date of Imposition : 23 February 2023
Amount : LKR 1,000,000.00 (Rupees one million)
Date of Payment : 09 March 2023

Reason for the imposition of the penalty:

The administrative penalty was imposed for failure to comply with the FTRA and CDD Rules in relation to conducting proper ongoing CDD and reporting of suspicious transactions. The bank had failed to identify transaction patterns and verify the source of income which deviated from the customer profile and consider raising an STR for an account.

6. People's Bank

Date of Imposition : 23 February 2023
Amount : LKR 1,000,000.00 (Rupees one million)
Date of Payment : 07 March 2023

Reason for the imposition of the penalty:

The administrative penalty was imposed for failure to comply with the FTRA and CDD Rules in relation to conducting proper ongoing CDD and reporting of suspicious transactions. The bank had failed to identify transaction patterns and verify the source of income which deviated from the customer profile and consider raising an STR for an account.