



**Issued By** Financial Intelligence Unit

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## Imposition of Administrative Penalties by the Financial Intelligence Unit (FIU) to Enforce Compliance on Financial Institutions during the Third Quarter of 2021

By virtue of the powers vested under Section 19 (1) read together with section 19 (2) of the Financial Transactions Reporting Act, No. 06 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. 2.0 million in total for the period from 1 July 2021 to 30 September 2021 to enforce compliance on Financial Institutions. The money collected as penalties were credited to the Consolidated Fund.

### 1. People's Merchant Finance PLC

**Date of Imposition:** 6 July 2021

**Amount:** LKR 1,000,000.00 (Rupees one million)

#### **Reason for the imposition of the penalty:**

The administrative penalty was imposed for the non-compliance with the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules) in relation to procedures of United Nation's sanctions screening.

The FIU observed during the on-site examinations that People's Merchant Finance PLC had failed to implement systems and procedures to maintain the complete list of designated persons and entities under relevant United Nations Security Council Resolutions (UNSCRs), screen its prospective customers at the time of onboarding as

required by the CDD Rules and to implement any mechanism to screen the existing customer base or existing business relationships when any of the relevant 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 the lapses in systems and procedures were observed, instances of business relationships with designated individuals or entities by People's Merchant Finance PLC were not revealed during the on-site examination. Since then, People's Merchant Finance PLC has taken action to rectify the identified deficiencies and significant improvement has been made on the implementation of sanctions screening process in the company.

## **2. Ideal Finance Limited**

**Date of Imposition:** 12 July 2021

**Amount:** LKR 500,000.00 (Rupees five hundred thousand)

### **Reason for the imposition of the penalty:**

The administrative penalty was imposed for the non-compliance with the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules) in relation to procedures of United Nation's sanctions screening.

The FIU observed during the on-site examinations that Ideal Finance Limited had failed to implement systems and procedures to maintain a complete list of persons and entities designated under the United Nations Regulations, No. 1 of 2012, to implement mechanisms to screen the existing customer base or existing business relationships when any of UNSCR lists are updated to ensure that no business relationship is held by or linked to any of the entities or individuals included in the updated designated lists and to screen all prospective customers of the company at onboarding as required by the CDD Rules.

Although the lapses in systems and procedures were observed, instances of business relationships with designated individuals or entities by Ideal Finance Limited were

not revealed during the on-site examination. Since then, Ideal Finance Limited has taken initiatives to rectify the identified deficiencies.

### **3. Seylan Bank PLC**

**Date of Imposition:** 12 August 2021

**Amount:** LKR 500,000.00 (Rupees five hundred thousand)

**Reason for the imposition of the penalty:**

The administrative penalty was imposed for the non-compliance with the Financial Transactions Reporting Act, No. 6 of 2006 and Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 (CDD Rules) in relation to maintaining records in a manner and form that will enable an institution to comply immediately with requests for information from the FIU, conducting ongoing scrutiny of transactions undertaken throughout the course of the business relationship with a customer, failing to establish and maintain procedures and systems to ensure the process of monitoring and implementing proper risk controls and mitigation measures.

The Bank had failed to fully comply with a suspension of transaction order issued by the FIU under Section 15 (2) of the FTRA by omitting to include banking relationships maintained with an individual subject to the FIU suspension order.

The Bank has since rectified the omission and has assured its commitment to prevent any reoccurrence of such errors.