

Introduction to AML/CFT Compliance

Explain the importance of anti-money laundering (AML) and counter-financing of terrorism (CFT) regulations, emphasizing their role in protecting the financial system and preventing misuse by criminals and terrorists. Highlight the central role of the Financial Transactions Reporting Act (FTRA) No. 6 of 2006 in Sri Lanka's legal framework.

Core Principles and Legal Framework

- Outline the primary objectives of AML/CFT laws: prevention of money laundering and terrorist financing.
- Introduce the key authorities involved, especially the Financial Intelligence Unit (FIU) Sri Lanka.
- Clarify statutory responsibilities and penalties, such as the prohibition of tipping-off and associated legal consequences.

Customer Due Diligence (CDD) Fundamentals

- Define Customer Due Diligence and when it must be applied (at business relationship commencement or suspicion of suspicious activity).
- Identify valid customer identification documents and explain why some documents (e.g., utility bills without photo ID) are not acceptable.
- Explain beneficial ownership identification, with the 10% ownership/control threshold for corporate customers.

Risk Identification and Reporting Obligations

- Describe red flags for suspicious transactions, including structuring activities and unusual customer behavior.
- Summarize the importance and timing of filing Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs), including thresholds and reporting deadlines (e.g., 72 hours for STRs).
- Emphasize confidentiality of STRs and the consequences of non-compliance.

Sanctions and Targeted Financial Sanctions

- Explain the purpose of sanctions in AML/CFT: blocking assets related to terrorism or proliferation financing.
- Note the role of international bodies like the United Nations Security Council in issuing sanctions lists that must be screened.

Risk-Based Approach (RBA) and Enhanced Due Diligence (EDD)

- Introduce the RBA as applying proportional AML/CFT measures based on assessed risks.
- Highlight that customers from high-risk jurisdictions require Enhanced Due Diligence.

Roles, Responsibilities, and Compliance Culture

- Clarify individual responsibilities for AML/CFT compliance, including the need to report suspicions promptly.
- Stress the importance of seeking guidance when unsure about procedures.
- Encourage fostering a strong compliance culture with regular AML/CFT training (at least annually).

Technology and Data Protection

- Explain the function of transaction monitoring systems to detect suspect patterns.
- Emphasize safeguarding customer data with appropriate security measures as required by law.

Ethical Considerations

- Address ethical dilemmas, such as refusing gifts intended to bypass compliance procedures.
- Reinforce the confidentiality and integrity of reporting and compliance processes.

Consequences of Non-Compliance

- Outline potential disciplinary, legal, and reputational consequences for failure to comply with AML/CFT obligations.