



Compliance Obligations for the Gem and Jewellery Sector:

Improving AML/CFT Standards of Sri Lanka:

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Introduction to ML/TF/PF



ML/TF/PF



Money
Laundering



Terrorist
Financing



Proliferation
Financing





High-Level Objective of AML/CFT Measures

Financial systems and the broader economy are protected from Money Laundering (ML)/Terrorist Financing (TF) /Proliferation Financing (PF) threats, thereby strengthening financial sector integrity contributing to safety and security.



Financial Intelligence Unit of Sri Lanka (FIU)



Financial Intelligence Unit (FIU)



- The FIU was established in March 2006 under the Financial Transactions Reporting Act No. 06 of 2006 (FTRA)
- FIU functions as a department of the Central Bank of Sri Lanka
- However, FIU is **operationally independent and autonomous**
- Policy directions are given by the **AML/CFT National Coordinating Committee (NCC)** chaired by the Governor



The FIU, as the **focal point** of AML/CFT for the country, has the responsibility to ensure that Sri Lanka is **compliant with all 40 FATF Recommendations** and our **AML/CFT framework produces expected results**

Role of the FIU

Producing
actionable
intelligence

AML/CFT
Supervision

AML/CFT
Focal Point of
the Country





Receive and analyze STRs



Receive and analyze threshold transaction reports



Generate Intelligence Reports and Share with LEAs, Regulators



Process and facilitate Information Requests (International/Domestic)



Supervision of Reporting Institutions



Ensure compliance with AML/CFT International Standards



Review and amend relevant legislations



Implement the National AML/CFT Policy



Improve Domestic Coordination & International Cooperation



Conduct AML/CFT Awareness Sessions



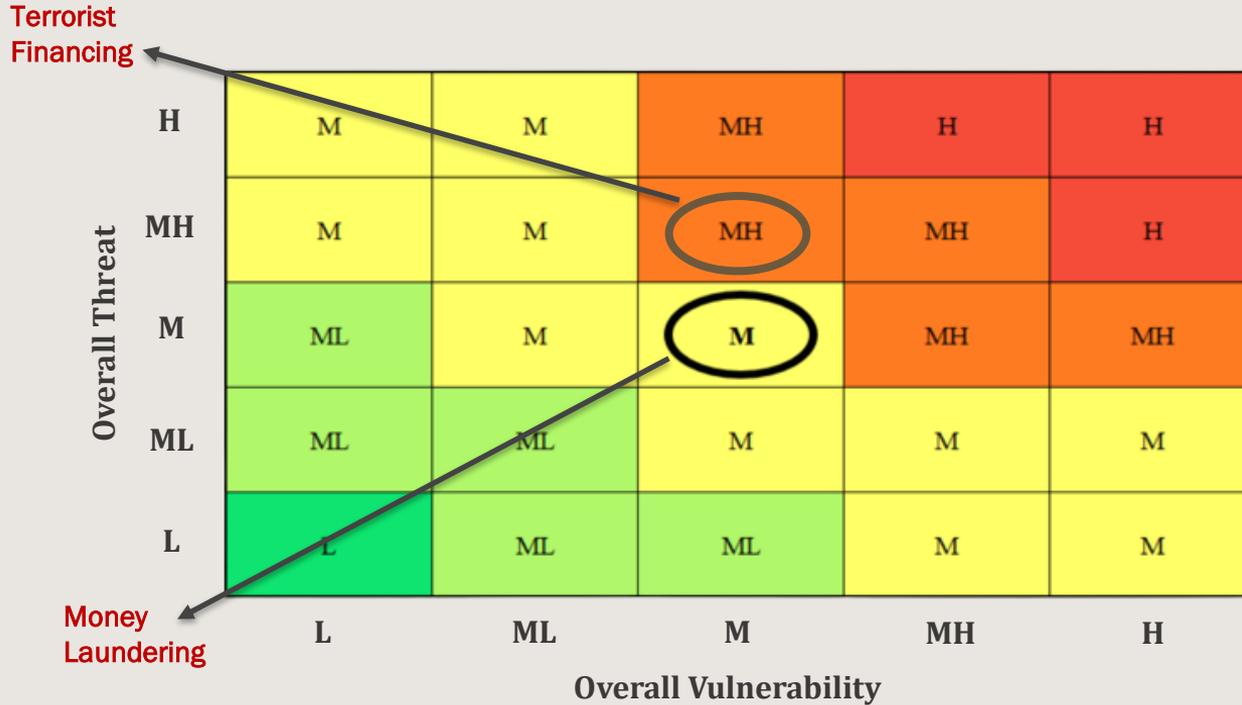
Take Regulatory Actions for Non-Compliance of Reporting Institutions



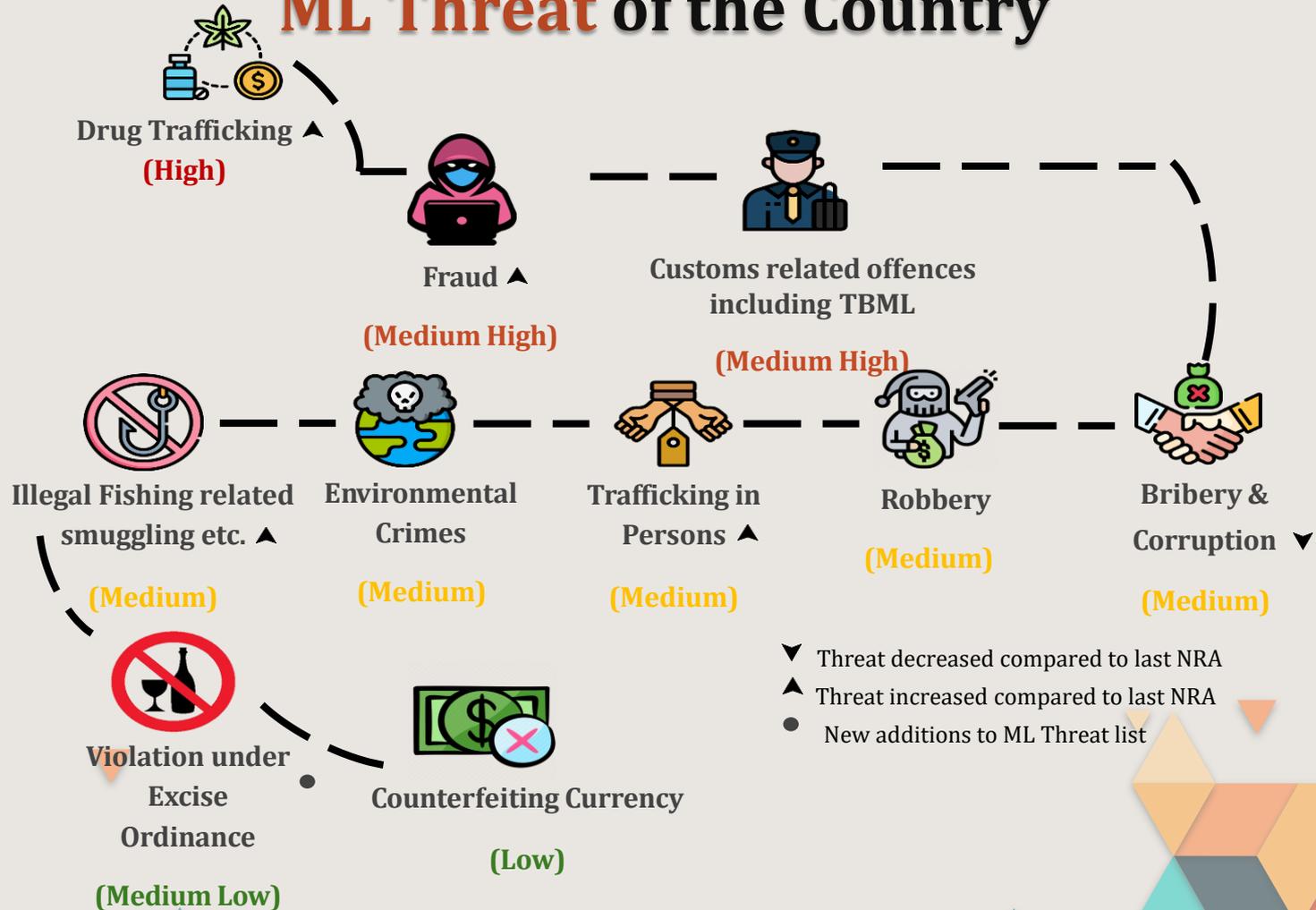
National Risk Assessment (NRA)



Overall ML/TF Risk of the Country

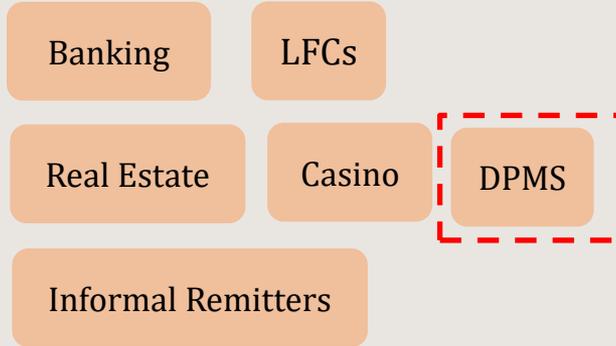


ML Threat of the Country

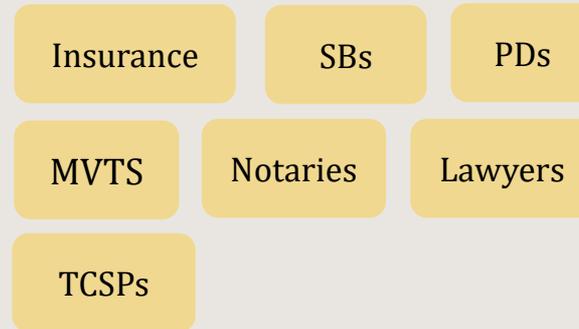


Sectoral ML Risk of the Country

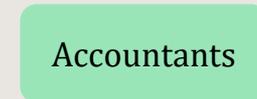
Medium High



Medium



Medium Low



Sri Lankan Framework



Legal Framework in Sri Lanka

- ❖ **The Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 (CSTFA)** as amended in 2011 and 2013
 - Criminalizes Terrorist Financing
- ❖ **The Prevention of Money Laundering Act, No. 5 of 2006 (PMLA)** as amended in 2011
 - Criminalizes Money Laundering
- ❖ **The Financial Transactions Reporting Act, No. 6 of 2006 (FTRA)**
 - Obligations of the Financial and Non-Financial Institutions, Powers and functions of the FIU



Institutions under the Purview of the FIU under section 33 of the FTRA

Financial Institutions (FIs)

Licensed Commercial Banks
Licensed Specialized Banks
Licensed Finance Companies
Insurance Companies
Stockbrokers
Money or Value Transfer Services
Primary Dealers

Designated Non-Finance Businesses and Professions (DNFBPs)

Real Estate Agents
Casinos
Lawyers
Dealers in Precious metals and stones
Accountants
Trust and Company Service Providers



Dealers in Precious metals and stones under the Section 33 of FTRA and CDD Rule

Financial Transactions Reporting Act No 6 Of 2006 (FTRA)

“Designated Non-Finance Business” includes,

Dealers in precious metals and dealers in precious and semi-precious stones, including but not limited to, metals and stones covered by the Gem and Jewellery Act, No. 50 of 1993 when they engage in cash transactions with a customer, equal to or above the prescribed threshold ;

Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018. (CDD Rule)

9. (1) Every non-finance business shall conduct the CDD measures specified in these rules subject to the provisions of this Part, for the purposes of section 2 of the Act.

(2) Notwithstanding the provisions of paragraph (1), any non-finance business specified in the following sub paragraphs, shall conduct the CDD measures specified in this Part, for the situations specified in each such sub-paragraph :

(b) dealers in precious metals and dealers in precious and semi-precious stones, including but not limited to, metals and stones covered by the National Gem and Jewellery Authority Act, No. 50 of 1993 where the respective dealer engages in any cash transaction with a customer in Sri Lankan Rupees or in any foreign currency equivalent to or above United States Dollars 15000.



AML/CFT Compliance Obligations of Gem and Jewellery Dealers



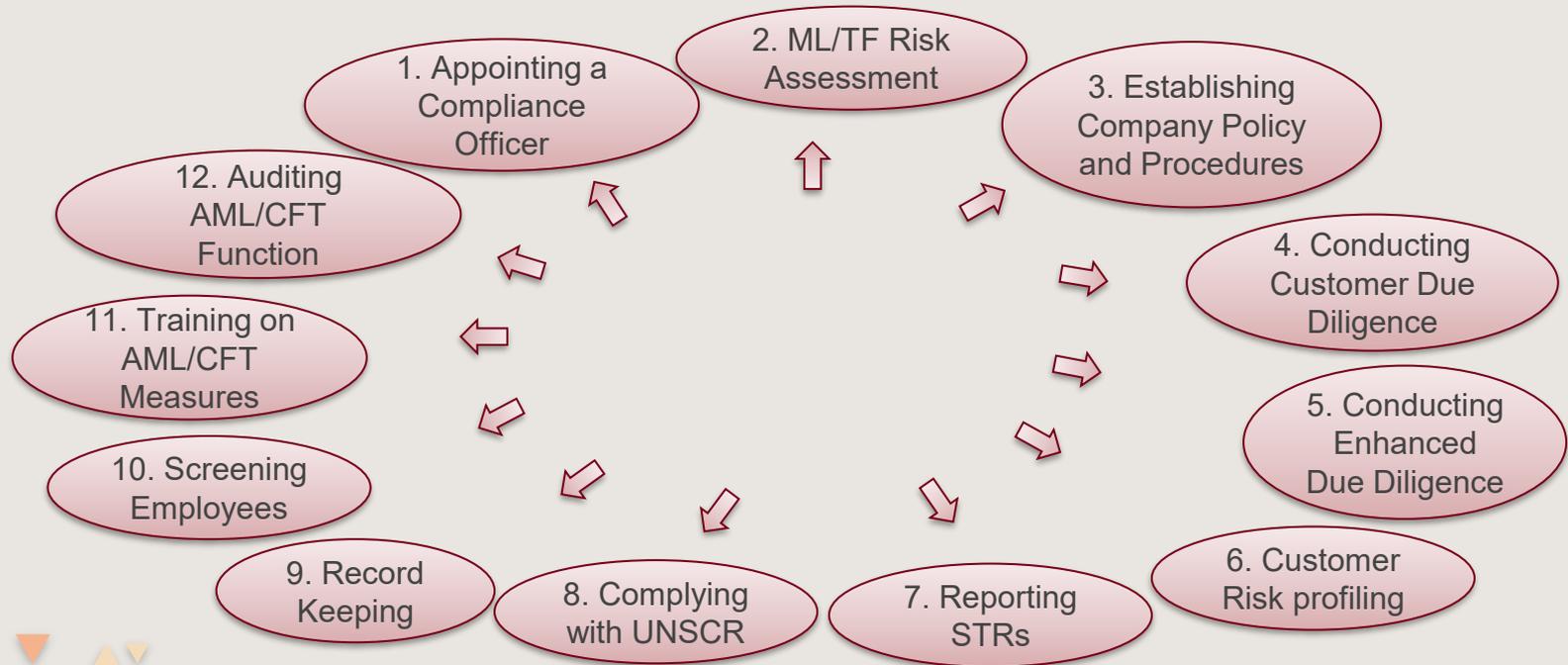


Why Gem and Jewellery Dealers are Vulnerable to ML/TF/PF

- ❖ High value and portability of gems and jewellery make them easy to store, conceal, and transport.
- ❖ Cash-intensive nature of transactions enables anonymity and weak audit trails.
- ❖ Subjective valuation of precious stones allows manipulation of prices and trade-based laundering.
- ❖ Cross-border trade with high-risk jurisdictions increases exposure to illicit funds.
- ❖ Use of intermediaries, agents, and brokers can obscure beneficial ownership.
- ❖ Informal market practices and limited record-keeping in some segments weaken transparency.
- ❖ Potential use of front businesses to integrate illegal proceeds into the formal economy.
- ❖ Links with luxury goods markets, which are often used to move and store value discreetly.



Key AML/CFT Obligations for Gem and Jewellery Dealers



Mutual Evaluation



What is Mutual Evaluation (ME)

A **Mutual Evaluation** is an independent assessment conducted by international experts to evaluate a country's compliance with **FATF AML/CFT standards** and the effectiveness of its AML/CFT framework.

It assesses:

- ✓ Legal and regulatory framework
- ✓ Preventive measures (FIs & DNFBPs)
- ✓ Supervision and enforcement
- ✓ Investigation, prosecution, and sanctions
- ✓ International cooperation

Importance / Impact of a Mutual Evaluation

- Directly affects **foreign investment and capital inflows**
- Influences **correspondent banking relationships**
- Impacts access to **international financial markets**
- Affects **trade, cross-border transactions, and remittance flows**
- Non-compliance may lead to **FATF grey-listing**, increased scrutiny, and economic pressure

Process of ME



The Mutual Evaluation will assess how effectively Sri Lanka has implemented measures to combat ML/TF.



In this process, Sri Lanka is required to submit a **technical compliance report** with all the relevant material such as laws, regulations, manuals, procedures, circulars, SOPs as evidence of compliance.



In order to demonstrate effectiveness of the AML/CFT measures adopted, Sri Lanka is required to submit a **detailed report on** each of the **effectiveness** measurements with evidence.



During the onsite visit, a Team of International Assessors consisting 5-6 members will visit each Stakeholder, conduct interviews, request for documentary evidence, view systems and procedures in place, in order to ascertain Sri Lanka's effectiveness.



Current Technical Compliance Level of Sri Lanka

Level of Compliance	At the MER Adoption July 2015	After Re-rating 2016	After Re-rating 2018	After Re-rating 2019	After Re-rating 2020	After Re-rating 2021
Compliant (C)	5	5	6	7	7	7
Largely Compliant (LC)	7	16	21	24	24	25
Partially Compliant (PC)	16	13	8	7	8	7
Non-Compliant (NC)	12	6	5	2	1	1
	40	40	40	40	40	40



Sri Lanka's AML/CFT Effectiveness

Immediate Outcome		Effectiveness
1	Risk, Policy and Coordination	Moderate Level
2	International Cooperation	Low Level
3	Supervision	Low Level
4	Preventive Measures	Low Level
5	Legal Persons and Arrangements	Low Level
6	Financial Intelligence	Low Level
7	ML Investigation and Prosecution	Low Level
8	Confiscation	Low Level
9	TF Investigation and Prosecution	Substantial Level
10	TF Preventive Measures and Financial Sanctions	Low Level
11	PF Financial Sanctions	Low Level



3rd Mutual Evaluation on Sri Lanka



Sri Lanka's 3rd ME will **commence in March 2026**



Sri Lanka needs to:

- a) Address remaining technical deficiencies (Recommendation rated as PC and NC)
- b) Make required changes without delay for any Recommendation updates to be done by the FATF
- c) Improve effectiveness of all 11 Immediate Outcomes



Failure to do so will result in Sri Lanka being identified as a country with strategic deficiencies in its AML/CFT Framework and will be designated as a Greylisted / Blacklisted Country

- **IMF EFF Programme emphasizes the need of addressing bribery and corruption**
- **Sri Lanka is required to fulfil certain obligations under the AML/CFT Pillar**



Negative Impact of FATF Listing

The FATF does not require its members to take action on countries listed in the 'Grey List'

Members are required to take action only against Blacklisted Countries

However, most countries **treat Grey Listed countries as of 'high risk'** and blacklist them

E.g., Subsequent to Sri Lanka's second Grey Listing, the EU included Sri Lanka in its Blacklist



Repercussions of EU Blacklisting:

➤ Several banks in the EU region stopped dealing with Sri Lankan customers/institutions

➤ 'Handelsbanken' in Sweden stopped all payments to Sri Lanka both for individual and corporate customers

➤ Sri Lankan exporters (IT exporters, tourism sector) faced difficulties in getting back their export proceeds



Negative Impact of FATF Listing (Contd.)

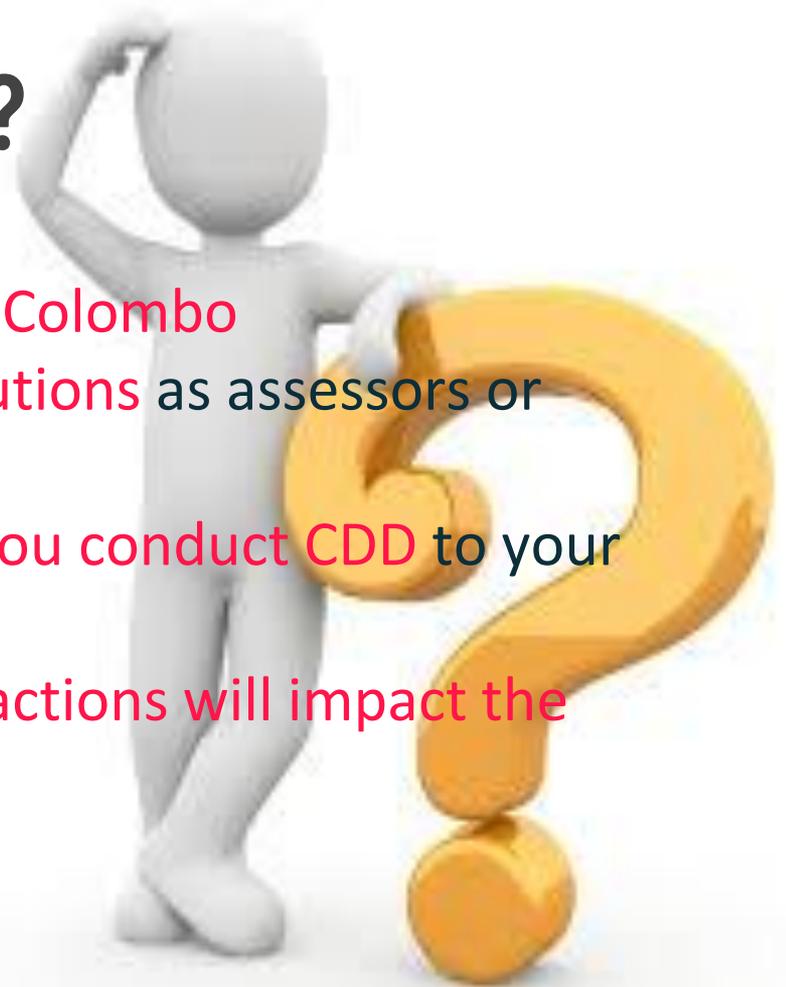
Re-evaluation, possible withdrawal,
reluctance for new **correspondent banking relationships**

- EU's Blacklisting and FATF Grey listing forced some European and US banks to stop correspondent banking with Sri Lanka
- **J P Morgan** visited FIU-Sri Lanka
 - Sri Lanka was treated as of high-risk and subjected to EDD for correspondent banking
- **Western Union** and **Danske Bank** expressed the same sentiments



Why are you important ?

- ✓ Mutual Evaluation will take place in **Colombo**
- ✓ **Higher possibility to visit your institutions** as assessors or customers by the Evaluation Team
- ✓ **Assessors will investigate whether you conduct CDD** to your customers
- ✓ **Your behaviour of conducting transactions will impact the country's Evaluation** ultimately



What **should you do** for Mutual Evaluation ?

- ✓ **Appoint a Compliance Officer**
- ✓ Conduct a Risk Assessment
- ✓ Prepare an AML/CFT policy
- ✓ **Conduct CDD (for Cash Transactions above Rs. 4.5 mn apx.)**
- ✓ **Screen customers**
- ✓ Report STRs
- ✓ Conduct/ Attend Trainings
- ✓ Conduct AML/CFT Audits
- ✓ Keep records for more than 6 years



[Limited Share]



You can download the Compliance Officer Declaration Form from the FIU Official web site



https://fiusrilanka.gov.lk



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Sanctions reinstated under UNSCR 1737 – screen and freeze without delay

Awareness Session for Financial Institutions and Regulators on Key Findings of the National Risk Assessment (NRA) 2024/25 - February 05, 2026



An awareness session for Financial Institutions and Regulators on Key Findings of the National Risk Assessment (NRA) 2024/25, organised by the Financial Intelligence Unit (FIU) is to be held from 8.30 AM to 11.30 AM on February 05, 2026 at the Auditorium of the Centre for Banking Studies (CBS), Rajagiriya.

The session is to be addressed by Dr. Subhani Keerthiratne, Director of the FIU, Dr. Ayesh Ariyasinghe, Additional Director of the FIU and Mrs. Theja Pathberiya, Deputy Director of the FIU.

Notices to the Public

Survey for Virtual Asset Service Providers

FIU Sri Lanka

The **Financial Intelligence Unit (FIU) of Sri Lanka** was established in March 2006 as an autonomous body under the Ministry of Finance and Planning. The FIU was reorganized in February 2007 as an independent institution within the Central Bank’s framework and administrative structure.

Vision

To be the trusted focal agency committed to prevent Money Laundering and counter Financing of Terrorism ensuring financial integrity, safety and

Information Sheet for Newly Appointed Compliance Officers

Compliance Officer Declaration Financial Institutions efforts by combating Money Laundering and Terrorism

Designated Non-Financial Businesses and Professions

News & Events

Press Release - APG High-Level Visit to Sri Lanka: Mutual Evaluation Preparation Briefing (April 4, 2025)

Circular 01/2025 - Conducting Enhance Due Diligence with respect of the NGOs, NPOs or Charities under Financial Institutions (Customer Due Diligence) Rules No. 1 of 2016

Press Release - Administrative Penalties imposed by the FIU on Reporting Institutions from November to December 2024

Compliance Officer Materials

Booklet:
Financial Scams

NRA
Executive Summary

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We are there to help you

Contact FIU

011 239 8909/ 011 2477 511
fiudnfbp@cbsl.lk



Q & A



Thank You!

