



# **PART I**

## **RISK BASED PROCEDURES APPROACH MANUAL**

- **KNOW YOUR CUSTOMER (KYC)**
- **CUSTOMER DUE DILIGENCE (CDD)**
- **RISK CATEGORIZATION (RC)**

# **Part II**

## **POLICY & PROCEDURES MANUAL**

## **POLITICALLY EXPOSED PERSONS (PEPS)**



## **PART I**

# **Procedure manual on Risk Based Approach**

**for all accounts in line with Know Your  
Customer (KYC) and Customer Due Diligence  
(CDD) with Customer Risk Categorization  
(CRC)  
for the Company**

**under the Financial Transaction Reporting Act. No 6 of 2006**

**Owner - Compliance Department**

**Approval – Board of Directors**

**Date of Approval - 27<sup>th</sup> October 2023**

## 1. Introduction to Risk Based Approach

The Finance Company is mandated to adhere to the guidelines issued by the Financial Intelligence Unit by way of the Financial Transaction Reporting Act No 6 of 2006 and other directions issued there under. As per the direction issued by way of circular No 1/18 with reference 037/05/002/0018/017 dated 11<sup>th</sup> January 2018 and amendments and Customer Due Diligence Rules, No. 1 of 2016 issued by way of gazette 1951/13 dated 27<sup>th</sup> January 2016 and amendments, the Finance Company is required to have and follow the measures specified in these rules for the purpose of identifying, assessing and managing money laundering and terrorist financing risks posed by customers, and conduct its ongoing customer due diligence (CDD) on a **"Risk Based Approach" (RBA)**.

The Finance company is required to take specific measures for the purpose of identifying, assessing, and managing the money laundering and terrorist financing risk posed by it's customers and business activities.

The RULES made by the Financial Intelligence Unit under **section 2 of the Financial Transactions Reporting Act, No.6 of 2006** states,

**"The intensity and extensiveness of risk management functions shall be in compliance with the "risk based approach" and be proportionate to the nature, scale and complexity of the Financial Institution's activities and money laundering and terrorist financing risk profile."**

"The systematic application of: Management policies, procedures and practices to the tasks of establishing the context and identifying, analyzing evaluating treating, monitoring, and communicating Risk"

**"The Companies are required to take appropriate steps to identify, assess and manage its money laundering and terrorist financing risks in relation to its customers, countries or geographical areas, products, services, transactions and delivery channels"**

This General Circular is issued for LCB Finance PLC in terms thereof, and may be amended from time to time in line with changes in laws, regulations and applicable standards in the regulatory framework and applicable laws for the Financial Industry and **must be read in conjunction with the Company AML Policy and Account Opening Circular and other related documents.**

### 1.1 Factors to be considered in the Risk Assessment

All staff are responsible to conduct the risk assessment as part of the due diligence exercise, considering factors such as the below

- What risks are posed by the nature of the customer type, profession/vocation and legal structure of the customer?
- Is the Business located in a high risk jurisdiction? / is the Customer a PEP?
- What risks are posed by the nature of the customer's activities/business?
- Does the Company understand the commercial rationale of the customer's business or the activities of the customer?
- Do the customer's transactions involve a high level of cash?
- What risks are posed by the customer's behavior?
- Is there transparency of ownership?
- Is there a willingness to provide information about themselves and about its controllers?
- Is there information concerning the source of funds and source of wealth and in the case of Legal entities of the business or the owners?
- What risks are posed by the products and services being provided to the customer?
- How do we communicate with the customer? Did they solicit us or did we solicit them?
- Is the business conducted on a face-to-face basis?

## 2. Know Your Customer

In order to prevent the financial system being used for money laundering and transactions related to terrorism and subversive activities, it is mandated that all finance companies follow guidelines on customer identification in terms of Direction Ref 02/04/004/0012/001 dated 8<sup>th</sup> October 2008 and amendments issued by the Financial Intelligence Unit of the Central Bank of Sri Lanka.

- At the time of opening an account - Customer "On-Boarding"
- Before establishing a business relationship with a prospective customer
- Thereafter when there are material changes in the way an account is operated.
- When a trigger event is observed

Financial Companies are responsible of Customer Identification, Risk Management and monitoring of accounts on a continuous basis.

**In order to 'Know Your Customers' (KYC) Finance companies are expected to;**

- Have sufficient information on the identity of the customer

- Be satisfied that a prospective customer is who he/she claims to be. If the customer is acting on behalf of another, sufficient evidence on the identity of **both parties** should be obtained.
- Ensure that information obtained regarding customers in the normal course of business are utilized effectively for the prevention of money laundering/terrorism funding.

### 3. Customer Risk Profiling

All Finance companies are required to perform **Risk Based Compliance**. Risk profiling of all customers is mandatory and is to be done by way of the information derived by the Company through the KYC and Customer Due Diligence (CDD) process

Where any customer is rated as **“High Risk”** the company is required to carry out **Enhanced CDD measures** for such customer, in addition to the normal CDD measures undertaken.

The company has **developed a Risk Matrix to enable the branch and business development staff to ascertain the particular AML Risk Profile (LOW, Medium or High) of a given customer.**

A Brief description of Low, Medium, and High risk categories is given below.

**The profile will be evaluated taking the following into consideration**

- **Low Risk**

Individuals and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as Low Risk.

The illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover. E.g.: Student /House wife/Pensioner/farmer.

- Recommended frequency for **periodical review: Every Two Years or upon a trigger**
- **Delayed Verification can be done for Low Risk Customers subject to the below**

#### **Delayed Verification process**

- Verification shall be completed as soon as it is reasonably practicable but **not later than fourteen (14) working days** from the date of opening of the account.
- The delay shall be essential so as not to interrupt the Company’s normal conduct of business

- No suspicion of money laundering or terrorist financing risk shall be involved with the customer.

- **Medium Risk**

Customers who are likely to pose a higher than average risk to the company may be categorized as Medium or High Risk depending on the customer's background, nature and location of activity, country of origin, sources of funds and his client profile. etc. Such as:

- Where the client profile of the person/s opening the account, according to the perception of the branch is uncertain and/or doubtful and not all information is immediately verifiable.
- Fund flow sources not well documented or known to the Company or verifiable immediately; deposits to the account frequently exceed the declared income threshold by the customer; with adequate /known reasons.
- ✓ Recommended frequency **for periodical review: Every one Year or upon a trigger**
- ✓ **Delayed Verification : Delayed verification is not permitted for Medium Risk Customers**

- **High Risk**

The Company will be required to apply Enhanced Due Diligence measure based on the risk assessment, thereby requiring intensive 'Due Diligence' for Higher Risk customers, especially those for whom the sources of funds are not clear.

Examples of customers requiring higher level of Due Diligence may include.

- Non Resident Customers,
- High Net worth individuals
- Trusts, charities, NGOs and organizations receiving donations,
- Companies having close family shareholding or beneficial ownership
- Firms with 'sleeping partners'
- Politically Exposed Persons (PEPs) of foreign/local origin
- Non-face to face customers, and
- Those with dubious reputation as per public information available, etc
- **Recommended frequency for periodical review: at least bi-annually or more frequently on a trigger basis.**
- **Delayed Verification: Delayed verification is not permitted for High Risk Customers**
- **Approval of the Head of the respective Business function is to be obtained at the point of opening accounts for individuals/entities categorized as High risk.**

A report on all PEPs and other **High Risk customers are presented to the Board on a monthly basis.**

### 3.1 Politically Exposed Persons –PEPs

A PEP is an individual who is entrusted with prominent public functions either domestically or by a foreign country, or in an international organization and includes a Head of a State or a Government, a politician, a senior government officer, judicial officer or military officer, a senior executive of a State owned Corporation, Government or autonomous body but does not include middle rank or junior rank individuals.

1. This category of customers known as PEPs and are required to be categorized as **HIGH Risk from an ML Compliance perspective**. However regulatory guidelines do not prohibit dealings with PEPs. **But Enhanced Due Diligence (EDD) is required** to be carried out on such customers.
2. The Account opening staff are required to **obtain approval** from the **Corporate Management and the Compliance team in order to proceed**.
3. For those identified as PEPs the Bank should identify, by appropriate means, the sources of funds and wealth or Beneficial Ownership of funds and wealth and be satisfied of the legitimacy of it;
4. Conduct Enhanced Ongoing Monitoring of business relationships with the politically exposed person.
5. Be fully satisfied that the Customer does not expose the Company to unacceptable levels of ML/TF risk

#### A Close Associates is,

- The Spouse, Siblings, Children and Parents
- A natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship;
- A legal person or legal arrangement whose beneficial owner is a natural person and is known to have been set up for the benefit of such person or his immediate family members.

### 4.0 Notation on the Core System

Irrespective of the customer type (Corporate, Individual etc.) the Risk Profile of the customer must be ascertained using the above matrix and noted in the Core System in the relevant field.

The risk assigned would need to be Low, Medium or High. This will enable staff of other Branches and Business Units to obtain information on the customer through the system as and when required. The risk rating assigned to a customer would be reviewed when conducting his/her KYC review at the stipulated frequency.

If a change in the risk rating assigned is deemed required, the same would need to be done and updated in the Company's Core system subsequent to the approval of the **DGM Business Development and Fund Mobilization**

## 4.1 Customer Risk categorization

### STEP 1

Central

efinancials

Welcome "468", Logout (Darangi Rajapaksha)13/10/2023 10:58:14

MASTERREPORTSUSER PRIVILEGES

NEW BUSINESS PARTNER

CUSTOMER TYPE

Customer TypeINDIVIDUALS

SaveCancel

MAIN DETAILS

Residency Status

☒ RESIDENT ☐ NON RESIDENT

Type

☐ Minor ☒ Major

NIC Type

☒ Old ☐ New

NIC No.

V ?

Re-Enter NIC No.

V

Other ID Types

--NONE--

Title

--NONE--

Last Name

Other Names

Initials

Company Name

Gender

☒ Male ☐ Female

Marital Status

--NONE--

DOB

Sector Code

--SELECT--

Occupation

--NONE--

Creditor Type

NOT USING

Credit Period (In Days)

Employee No.

Related Party

☐ Yes ☒ No

Citizenship

☒ Single ☐ Dual

Country 1

Sri Lanka

Income Tax Payer

☐ Yes ☒ No

Tax File No.

WHT %

0.0000

Auto Change WHT %

☒

Preferred WHT %

0.0000

Eligible for Insurance

☒ Yes ☐ No

Other Attributes

☐ FATCA

☐ PEP

☐ SMS

☐ KYC

☐ Connected Party

STEP 2

Initials

Company Name

Business Type

--NONE--

Country 1

Sri Lanka

VAT Registered

☐ Yes ☐ No

Sundry Creditor Type

--SELECT--



### STEP 3

#### ACCOUNT Creation

##### MESSAGE:

ACCOUNT DETAILS		OPERATING INSTRUCTIONS	
Branch	KOHUWALA	Opening Date	13 Oct 2023
Product Category	Minor Savings	Interest Rate	6.00
Product Type	Podiththa Saving	Account Maintain	Passbook
Introducer	<input type="radio"/> Internal <input type="radio"/> External		
<input type="text"/>			


  

MAIN HOLDER DETAIL		SUB HOLDER(S) DETAIL																	
Main Holder	<input type="text"/>	Sub Holder	<input type="text"/>																
Share Percentage	100.00	Share Percentage	<input type="text"/>																
<table border="1"><thead><tr><th>Code</th><th>Name</th><th>NIC/BR No.</th><th>Percentage</th></tr></thead><tbody><tr><td colspan="4">No records to display.</td></tr></tbody></table>		Code	Name	NIC/BR No.	Percentage	No records to display.				<table border="1"><thead><tr><th>Code</th><th>Name</th><th>NIC/BR No.</th><th>Percentage</th></tr></thead><tbody><tr><td colspan="4">No records to display.</td></tr></tbody></table>		Code	Name	NIC/BR No.	Percentage	No records to display.			
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NOMINEE DETAILS		CHECK LIST									
Nominee	<input type="text"/>	<input type="checkbox"/> National Identity Card									
Share Percentage	<input type="text"/>	<input type="checkbox"/> Driving License									
<table border="1"><thead><tr><th>Code</th><th>Name</th><th>NIC/BR No.</th><th>Percentage</th></tr></thead><tbody><tr><td colspan="4">No records to display.</td></tr></tbody></table>		Code	Name	NIC/BR No.	Percentage	No records to display.					
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### STEP 4

**Welcome "468 ", Logout (Darangi Rajapaksha)**

MASTER   REPORTS   USER PRIVILEGES

**CUSTOMER RISK PROFILING MODEL UPDATE**

Customer Type: --SELECT--

Customer Code:

Customer Name :

Category	Questions
No records to display.	

Grand Total : 0.00

Overall Rating		
Description	Months For Review	
Low	24	<input type="checkbox"/>
Medium	12	<input type="checkbox"/>
High	6	<input type="checkbox"/>

## STEP 5

### CUSTOMER RISK PROFILING MODEL UPDATE

Customer Type:

Customer Code:

Customer Name :

Number of Years for Age :

Category	Questions	
CLIENT TYPE	Student/Housewife/Pensioner	<input type="checkbox"/>
	Employee – Executive -Private	<input checked="" type="checkbox"/>
	Employee Non executive –Government	<input type="checkbox"/>
	Government Institution	<input type="checkbox"/>
	Public Limited Liability Company	<input type="checkbox"/>
	Lawyer & Accountant (Employed)	<input type="checkbox"/>
	Club/Society/Association	<input type="checkbox"/>
	Educational Institution	<input type="checkbox"/>
	Self Employed - Professional	<input type="checkbox"/>
	Self Employed - Business	<input type="checkbox"/>
	Client type (Other) - L	<input type="checkbox"/>
	Employee - appointments by Government	<input type="checkbox"/>
	Private Limited Liability Company	<input type="checkbox"/>
	Business - Propriety/Partnership	<input type="checkbox"/>
	Lawyer & Accountant (self-employed)	<input type="checkbox"/>
	Non resident	<input type="checkbox"/>
	Client type (Other) - M	<input type="checkbox"/>
	Client type (Other) - H	<input type="checkbox"/>
BUSINESS/USAGE	Professional/Family Use	<input type="checkbox"/>
	Finance/Insurance companies	<input checked="" type="checkbox"/>
	Dealer in Petroleum Products	<input type="checkbox"/>
	Professional Services	<input type="checkbox"/>
	Dealer in Brand new vehicles	<input type="checkbox"/>
	Retail Trade/Business	<input type="checkbox"/>
	Service Provider	<input type="checkbox"/>
	Printers & Publishers	<input type="checkbox"/>
	Marketing & Advertising	<input type="checkbox"/>
	Small/Medium work shop/repair	<input type="checkbox"/>
	Nursing Homes/Health Care Centers	<input type="checkbox"/>
	Manufacturing Industry	<input type="checkbox"/>
	Transport operations	<input type="checkbox"/>
	Social/Religious activities	<input type="checkbox"/>
	Travel Agent	<input type="checkbox"/>
	Importer & distributor of commercial goods	<input type="checkbox"/>
	Entrepot trade	<input type="checkbox"/>
	Exporter of local products	<input type="checkbox"/>
	Commission Agent	<input type="checkbox"/>
	Wholesale trader	<input type="checkbox"/>
	Shipping airline and freight forwarding	<input type="checkbox"/>

## STEP 7


	Construction/Building related	<input type="checkbox"/>
	Share & stock brokers	<input type="checkbox"/>
	Dealer / Trade in Gem and Jewellery	<input type="checkbox"/>
	Money changers/remitters	<input type="checkbox"/>
	Buying and selling of real estate	<input type="checkbox"/>
	Investing/Administrating/Managing public funds	<input type="checkbox"/>
	Restaurant/Bar/Casino/Gambling house/Night club	<input type="checkbox"/>
	Importer/Dealer in second hand motor vehicle	<input type="checkbox"/>
	Telephone/Communication Providers	<input type="checkbox"/>
	Business (Other) - L	<input type="checkbox"/>
	Business (Other) - M	<input type="checkbox"/>
	Business (Other) - H	<input type="checkbox"/>
TURNOVER PER MONTH		
	Less than (Rs.) 5,000,000/-	<input checked="" type="checkbox"/>
	From (Rs.) 5,000,000/- to (Rs.) 10,000,000/-	<input type="checkbox"/>
	Above (Rs.) 10,000,000/-	<input type="checkbox"/>

Grand Total : 30.00

Overall Rating		
Description	Months For Review	
Low	24	<input checked="" type="checkbox"/>
Medium	12	<input type="checkbox"/>
High	6	<input type="checkbox"/>

## 4.2 Customer KYC/ CDD forms

### Form I



**මධ්‍යම ගනුදෙනුකරු හඳුනාගැනීම**

**පිණිස පිරික්සුම් ලැයිස්තුව**

(2006 අංක 2/2006 ක්‍රීඩා ගනුදෙනු වාර්තා පනතේ යටතේ පිරික්සාගතය)

කාර්යාලීය ප්‍රයෝජනය සඳහා පමණි

අදාළ කොටුව තුළ වෙනස්කම්

මුදලකරු සමඟ කම:.....

ගිණුම් අංකය :.....

මුදල් වර්ගය :.....

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නිලධාරියාගේ අත්සන. :.....

කළමනාකරුගේ අත්සන. :.....

**ගිණුම් විවෘත කිරීමේ අරමුණ හා කාර්යය**

☐ ව්‍යාපාරික ගනුදෙනු

☐ රැකියා/වෘත්තීය ආදායම්

☐ ආමුඛ ප්‍රේෂණ (තැනිත්තේ)

☐ පවුල් පැවැත්ම/පුද්ගලික

☐ නිල්පත් ගෙවීම්

☐ ඉතිරි කිරීම්

☐ ණය ආපසු ගෙවීම්

☐ කොටස් ගනුදෙනු

☐ ආයෝජනය කිරීමේ අරමුණින්

☐ සමාජ සේවා හා පුහුණු කටයුතු

☐ වෙනත් (නිශ්චිතව දක්වන්න)

**අරමුදල් ලැබීමේ මාර්ග: (ගිණුමට මුදල් ලැබෙන අන්දම සහ ස්ථානය)**

☐ විකුණුම් හා ව්‍යාපාරික ආදායම්

☐ ප්‍රේෂණ (තැනිත්තේ)

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☐ අපනයන ආදායම්

☐ කොන්ත්‍රාත් ලෙඩ්නා

☐ ආධාර/පුහුණුකරු(දේශීය/විදේශීය)

☐ වැටුප් /ලාභ අදායම්

☐ ආයෝජන ලෙඩ්නාවන්

☐ දේපල/වත්කම් විකිණීම

☐ ත්‍යාග

☐ සාමාජිකත්ව දායකම්

☐ වෙනත් (නිශ්චිතව දක්වන්න)

**අපේක්ෂිත ප්‍රමාණයන්: (මාසයකට කෙරෙහි කරනු ලබන රුපියල් ප්‍රමාණය අපේක්ෂිත/සාමාන්‍ය ප්‍රමාණය)**

☐ 50,000 ට අඩු

☐ 50,000 සිට 100,000 දක්වා

☐ 100,000 සිට 500,000 දක්වා


☐ 500,000 සිට 1,000,000 දක්වා

☐ 1000,000 සිට 2000,000 දක්වා

☐ 2000,000 සිට 5000,000 දක්වා

☐ 5000,000 ට වැඩි

# Form II

	<p><b>ඔබගේ ගනුදෙනුකරු හඳුනාගැනීම</b></p> <p><b>පිණිස පිරික්සුම් ලැයිස්තුව</b></p> <p><small>(2006 අංක 06 දරණ මුදල් ගනුදෙනු වාර්තා පනතේ නියමයන්ට අවකාශය)</small></p>	<p>කාර්යාලීය ප්‍රයෝජනය සඳහා පමණි</p> <p><b>KYC</b></p>												
<p>අදාළ කොටුව තුළ <input checked="" type="checkbox"/> යොදන්න</p>														
<p><b>1. ගිණුම් විවෘත කිරීමේ අරමුණ හා භාවිතය</b></p> <table style="width: 100%;"> <tr> <td><input type="checkbox"/> ව්‍යාපාරික ගනුදෙනු</td> <td><input type="checkbox"/> බිල්පත් ගෙවීම්</td> <td><input type="checkbox"/> ආයෝජනය කිරීමේ අරමුණින්</td> </tr> <tr> <td><input type="checkbox"/> රැකියා/වෘත්තීය ආදායම්</td> <td><input type="checkbox"/> ඉතිරි කිරීම්</td> <td><input type="checkbox"/> සමාජ සේවා හා පුහුණු කටයුතු</td> </tr> <tr> <td><input type="checkbox"/> ආමුඛ ප්‍රේෂණ (ඔට්ටිත්තෙන්)</td> <td><input type="checkbox"/> ණය ආපසු ගෙවීම්</td> <td><input type="checkbox"/> වෙනත් (නිශ්චිතව දක්වන්න)</td> </tr> <tr> <td><input type="checkbox"/> පවුල් පැවැත්ම/පුද්ගලික</td> <td><input type="checkbox"/> කොටස් ගනුදෙනු</td> <td></td> </tr> </table>			<input type="checkbox"/> ව්‍යාපාරික ගනුදෙනු	<input type="checkbox"/> බිල්පත් ගෙවීම්	<input type="checkbox"/> ආයෝජනය කිරීමේ අරමුණින්	<input type="checkbox"/> රැකියා/වෘත්තීය ආදායම්	<input type="checkbox"/> ඉතිරි කිරීම්	<input type="checkbox"/> සමාජ සේවා හා පුහුණු කටයුතු	<input type="checkbox"/> ආමුඛ ප්‍රේෂණ (ඔට්ටිත්තෙන්)	<input type="checkbox"/> ණය ආපසු ගෙවීම්	<input type="checkbox"/> වෙනත් (නිශ්චිතව දක්වන්න)	<input type="checkbox"/> පවුල් පැවැත්ම/පුද්ගලික	<input type="checkbox"/> කොටස් ගනුදෙනු	
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<p><b>2. අපේක්ෂිත වටිනාකම/සාමාන්‍ය අගය (මාසයක් තුළ දී ගිණුමට තැන්පත් කිරීමට අපේක්ෂිත රුපියල් ප්‍රමාණය)</b></p> <table style="width: 100%;"> <tr> <td><input type="checkbox"/> 50,000 ට අඩු</td> <td><input type="checkbox"/> 1000,000 සිට 2000,000 දක්වා</td> </tr> <tr> <td><input type="checkbox"/> 50,000 සිට 100,000 දක්වා</td> <td><input type="checkbox"/> 2000,000 සිට 5000,000 දක්වා</td> </tr> <tr> <td><input type="checkbox"/> 100,000 සිට 500,000 දක්වා</td> <td><input type="checkbox"/> 5000,000 වැඩි</td> </tr> <tr> <td><input type="checkbox"/> 500,000 සිට 1000,000 දක්වා</td> <td></td> </tr> </table>			<input type="checkbox"/> 50,000 ට අඩු	<input type="checkbox"/> 1000,000 සිට 2000,000 දක්වා	<input type="checkbox"/> 50,000 සිට 100,000 දක්වා	<input type="checkbox"/> 2000,000 සිට 5000,000 දක්වා	<input type="checkbox"/> 100,000 සිට 500,000 දක්වා	<input type="checkbox"/> 5000,000 වැඩි	<input type="checkbox"/> 500,000 සිට 1000,000 දක්වා					
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<p><b>3. ව්‍යාපාරයට / ප්‍රථමික සමිතියට අයත් වන්නම්</b></p> <table style="width: 100%;"> <tr> <td> <input type="checkbox"/> දේපල/වත්කම්  <input type="checkbox"/> මෝටර් රථ  <input type="checkbox"/> මුද්‍රා වත්කම්             </td> <td> <input type="checkbox"/> ආයෝජන  <input type="checkbox"/> වෙනත් (සඳහන් කරන්න)             </td> </tr> </table>			<input type="checkbox"/> දේපල/වත්කම් <input type="checkbox"/> මෝටර් රථ <input type="checkbox"/> මුද්‍රා වත්කම්	<input type="checkbox"/> ආයෝජන <input type="checkbox"/> වෙනත් (සඳහන් කරන්න)										
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<p><b>4. ධනය ඉපයූ ප්‍රභවය/ආකාරය</b></p> <table style="width: 100%;"> <tr> <td> <input type="checkbox"/> ව්‍යාපාර ආදායම  <input type="checkbox"/> ආයෝජන  <input type="checkbox"/> වෘත්තීය/රැකියාව             </td> <td> <input type="checkbox"/> පරිත්‍යාග (දේශීය/විදේශීය)  <input type="checkbox"/> වෙනත් (නිශ්චිතව දක්වන්න)                  .....                  .....             </td> </tr> </table>			<input type="checkbox"/> ව්‍යාපාර ආදායම <input type="checkbox"/> ආයෝජන <input type="checkbox"/> වෘත්තීය/රැකියාව	<input type="checkbox"/> පරිත්‍යාග (දේශීය/විදේශීය) <input type="checkbox"/> වෙනත් (නිශ්චිතව දක්වන්න) ..... .....										
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<p><b>අනුමැත B</b></p> <p><b>තහවුරු කිරීම</b></p> <table style="width: 100%;"> <tr> <td style="width: 50%;"> <p>පහත ලේඛන ඉදිරිපත් කර ඇත.</p> <p><input type="checkbox"/> අයදුම්පත්‍රය/මැන්ඩේට් පත්‍රය</p> <p><input type="checkbox"/> කාරක සභා/අධ්‍යක්ෂක මණ්ඩලය යෝජනා ස්ථිරත්ව උපුටාය</p> <p><input type="checkbox"/> සමිති ලියාපදිංචි සහතිකයේ සහතික කළ පිටපත</p> </td> <td style="width: 50%; vertical-align: top;"> <p>වෙනත් තොරතුරු</p> </td> </tr> </table>			<p>පහත ලේඛන ඉදිරිපත් කර ඇත.</p> <p><input type="checkbox"/> අයදුම්පත්‍රය/මැන්ඩේට් පත්‍රය</p> <p><input type="checkbox"/> කාරක සභා/අධ්‍යක්ෂක මණ්ඩලය යෝජනා ස්ථිරත්ව උපුටාය</p> <p><input type="checkbox"/> සමිති ලියාපදිංචි සහතිකයේ සහතික කළ පිටපත</p>	<p>වෙනත් තොරතුරු</p>										
<p>පහත ලේඛන ඉදිරිපත් කර ඇත.</p> <p><input type="checkbox"/> අයදුම්පත්‍රය/මැන්ඩේට් පත්‍රය</p> <p><input type="checkbox"/> කාරක සභා/අධ්‍යක්ෂක මණ්ඩලය යෝජනා ස්ථිරත්ව උපුටාය</p> <p><input type="checkbox"/> සමිති ලියාපදිංචි සහතිකයේ සහතික කළ පිටපත</p>	<p>වෙනත් තොරතුරු</p>													
<p>ගරු ලේඛන අත්සන</p> <div style="border: 1px solid black; width: 150px; height: 30px; margin: 0 auto;"></div> <p>දිනය.....</p>	<p>ගරු සහාපති අත්සන</p> <div style="border: 1px solid black; width: 150px; height: 30px; margin: 0 auto;"></div> <p>දිනය.....</p>													
<div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <p style="font-size: 8px;">සමිතියේ නිල මුද්‍රාව</p> </div>														



## Form II



### DECLARATION OF BENEFICIAL OWNERSHIP

*This form has been issued under the Financial Institutions (Customer Due Diligence) Rules, No 1 of 2006 issued in terms of the Section 2 (3) of the Financial Transaction Reporting Act No. 6 of 2006. This form is required to be completed by customers of Financial Institutions designated under the Act to the best of their knowledge. The original completed and signed and witnessed version of this form must be retained by the financial institution and made available to the competent authorities upon request*

#### Customer Identification:

Name and Designation of Natural Person opening account	
Name Registered number and address of Legal Person to whom the account is being opened	
Name, Deed Number, Trustee Address of Legal arrangement for which the account is being opened	
I declare that I:	
<input type="checkbox"/>	am the sole beneficial owner of the customer for this account
<input type="checkbox"/>	am not the beneficial owner of the customer for this account. (Complete identifying information for all beneficial owners that own or control 10% or more of the customer's equity, beneficial owners on whose behalf the account is being opened, and at least one person who exercise effective control; of the legal entity regardless of whether such person is already listed)

**Definition - Beneficial Owner is** "A natural person who ultimately owns or control the customer or the person on whose behalf a transaction is being conducted and includes the person who exercise ultimate effective control over a person or a legal arrangement

Name	NIC No / passport No Country of Issue, Country of Citizenship	Date of birth	Current Address	Source of Beneficial Ownership  1 Equity Indicate % 2 Effective Control 3 Person on whose behalf the account is opened	Check if Politically Exposed Person (PEP)

**Details of the Natural person authorized to act on behalf of the Customer / entity**

Name \_\_\_\_\_

NIC / Passport \_\_\_\_\_

Date of Birth \_\_\_\_\_

Signature (with seal) \_\_\_\_\_

By signing you attest to the veracity of all information contained herein and you acknowledge and understand this warning

**Verification of Beneficial ownership by an authorized officer of our company**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Authorized Officer of the Financial institution**

Name \_\_\_\_\_

Designation \_\_\_\_\_

Date \_\_\_\_\_

Signature with Seal \_\_\_\_\_

By signing you attest that you identified the customer whose signature is on this form and witness the said signature

#### Definition

**“Politically Exposed Person”** means an individual who is entrusted with prominent public functions either domestically or be a foreign country, or in an international organization and includes a Head of State or a Government politician a senior Government officer, Judicial officer or military officer, or a senior executive of a state-owned Corporation, Government, or autonomous body, but does not include middle rank or junior rank individuals.

*To be placed in the deposit account's mandate file of customer*

#### Recommended

Signed

Head of Compliance

Signed

CEO. Executive Director

Board Paper No :2023/570/10/0

Board Meeting No : 66

Date :27 October 2023

# PART II



## **Lanka Credit and Business Finance PLC**

### **POLITICALLY EXPOSED PERSONS (PEPS)**

### **POLICY & PROCEDURES**

**Owner - Compliance Department**

**Approval – Board of Directors**

**Date of Approval -27<sup>th</sup> October 2023**

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## Purpose

Based on the Three lines of defense Model, the business line as the first line of defense need adequate action to identify and classify Politically Exposed Persons (PEPs) as HIGH-Risk customers. The Compliance Department has been requested for guidance on who is PEP and how to identify PEP, as such – this memorandum is issued for all staff as a guidance and reference purpose.

### 1.0 Politically Exposed Persons (PEPs)

#### 1.1 PEP Definition

##### Individual PEP:

The FIU definition of a "Politically Exposed Person" or PEP means an individual who is entrusted with prominent public functions either domestically or by a foreign country, or in an international organization and includes a Head of a State or a Government, a politician, a senior government officer, judicial officer or military officer, a senior executive of a State owned Corporation, Government or autonomous body **but does not include middle rank or junior rank individuals**.

The **CDD Rule** is also applicable to family members and close associates of a PEP as well.

##### Corporate PEP:

If a PEP customer or his/her Close Associate is a shareholder of a corporate entity or having equity interest of more than 10% (ten percent) the specified corporate account should be categorized as a Corporate PEP account.

##### A Close Associates means:

- The Spouse, Siblings, Children and Parents
- A natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship;
- A legal person or legal arrangement whose beneficial owner is a natural person and is known to have been set up for the benefit of such person or his immediate family members

#### 1.2 PEP Definition Method II

##### a) Domestic PEPs:

Individuals who are entrusted with prominent public functions in Sri Lanka.

##### b) Foreign PEPs:

Individuals who are entrusted with prominent public functions by a foreign country.

##### c) International organization PEPs:

persons who are entrusted with a prominent function by an international organization.

**d) Immediate Family members:**

individuals who are related to a PEP either directly (on grounds of consanguinity) or through marriage or similar (civil) forms of partnership.

**e) Close associates:**

individuals who are closely connected to PEP, either socially or professionally

**1.3 Immediate family members of PEPs include any of the following relations:**

- i. Spouse (current and past);
- ii. Siblings, (including half-siblings) and their spouses;
- iii. Children (including step-children and adopted children) and their spouses;
- iv. Parents (including step-parents);
- v. Grand children and their spouses.

**1.4 Close associates of PEPs or their family members includes;**

- i. A natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship with any person identified in above; and
- ii. A legal person or legal arrangement whose beneficial owner is a natural person and is known to have been set up for the benefit of such person or his immediate family members.
- iii. A PEP's widely- and publicly-known close business colleagues or personal advisors, in particular, persons acting in a financial fiduciary capacity.

For the purposes of the PEP definition, "international organizations" are organizations established by formal political agreements between its member countries, where such agreement has the status of an international treaty, and the organization is recognized in the law of the member countries. The examples of international organizations provided by FATF include:

- a) the United Nations and its affiliates such as the International Maritime Organization;
- b) regional international organizations;
- c) international military organizations such as the North Atlantic Treaty Organization;
- d) economic organizations such as the World Trade Organization, International Monetary Fund, World Bank, Asian Development Bank, etc.

## 1.5 Beneficial owners

A natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over legal persons or arrangements whose ultimate beneficial owners or controllers are PEPs or their family members or associates.

If there are reasonable grounds to believe that a beneficial owner is a PEP, Branch required to verify if the beneficial owner is a PEP.

Branches are required to inquire the reason for a person purporting to act on behalf of a beneficial owner in order to determine whether the beneficial owner of the customer or client is a PEP and required to apply all the requirements applicable to a PEP for:

- a) A person who is acting on behalf of a PEP, or
- b) A customer or beneficial owner of a customer who is identified as a family member or close associate of a PEP.

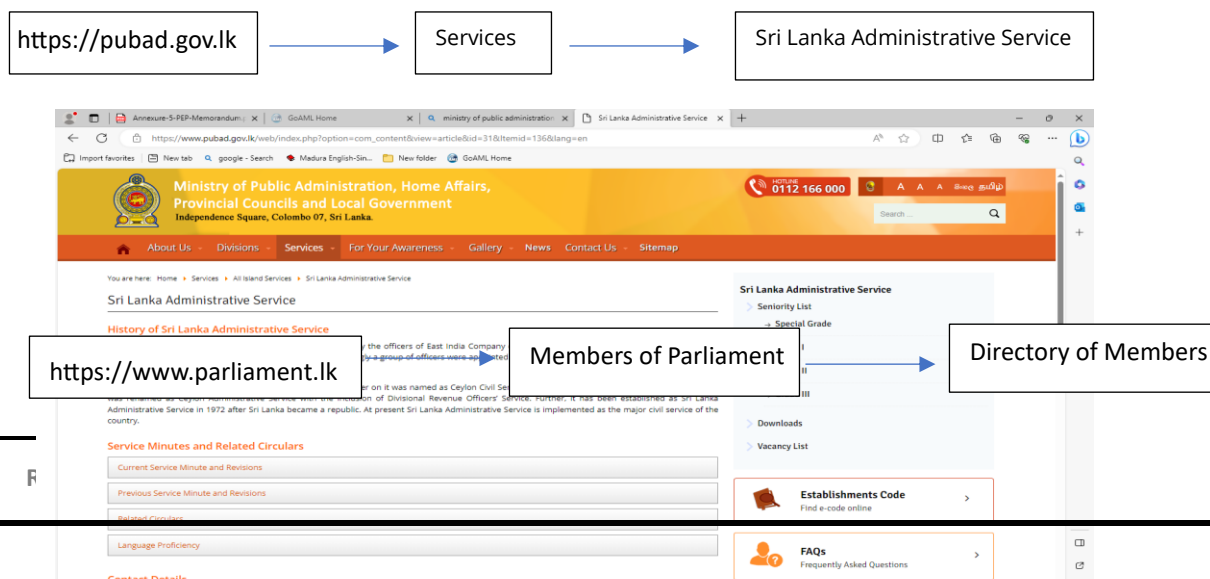
## 1.6 Duration of Treating a Person as a PEP

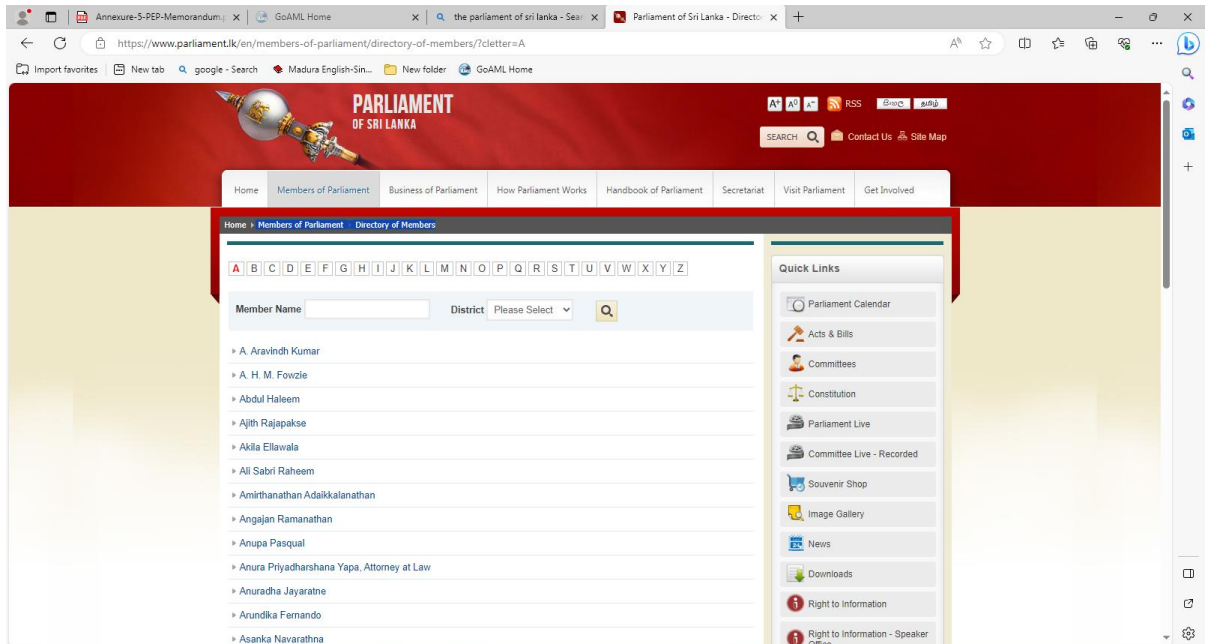
- Members of Parliament/ Provincial Councils/ Pradeshiya Sabas/ Municipal Councils immediate family members and close associates- **as PEPs for life time**
- Government/ Judicial/ Military officers, immediate family members and close associates - **as PEPs only during the time they hold their offices and for a further period of six months after removal from office.**
- Members, immediate family members and close associates of Government appointed Commissions/ Boards/ Corporations - **as PEPs only during the time they hold their offices and for a further period of six months after removal from office.**

## 2.0 Identifying Local PEPs

### 2.1 Listed PEP Authorities

#### 1. Administrative service

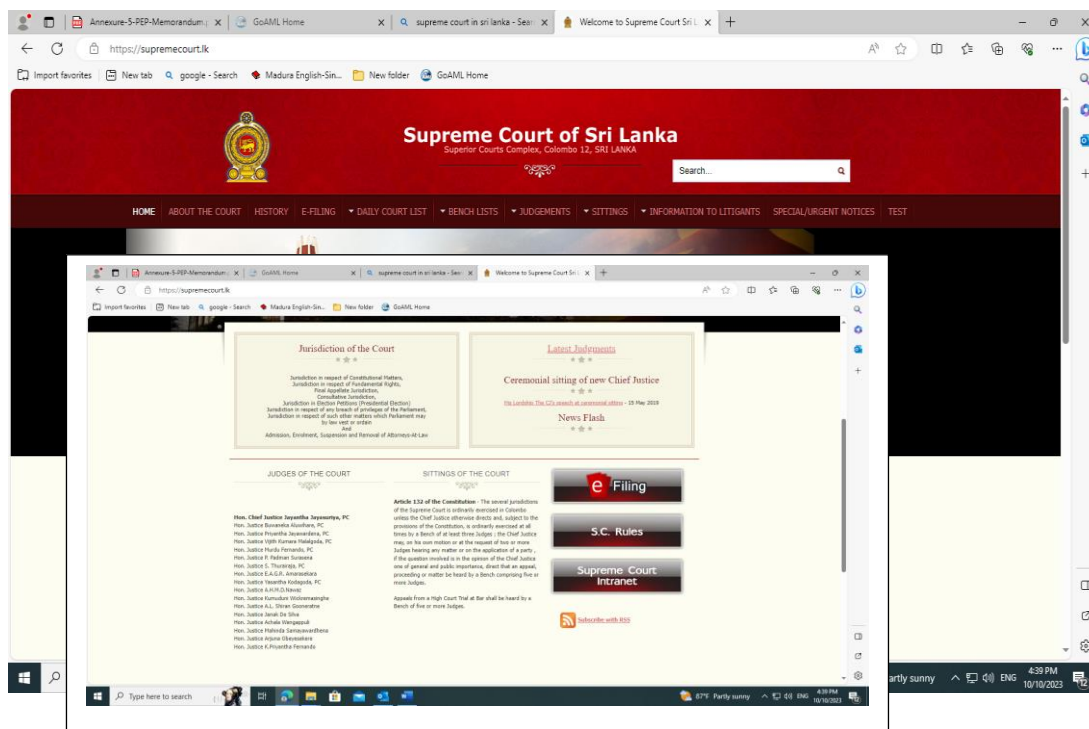




### 3. Judicial Service

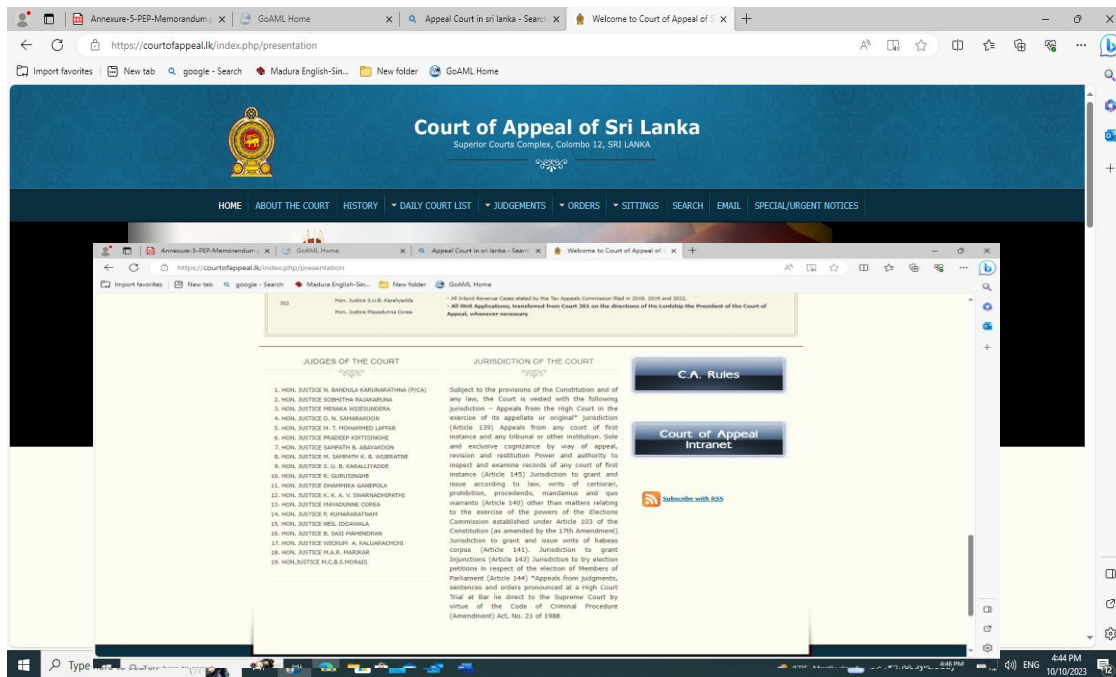
#### 3.1 Supreme Court

<https://supremecourt.lk>



#### 3.2 Appeal Court

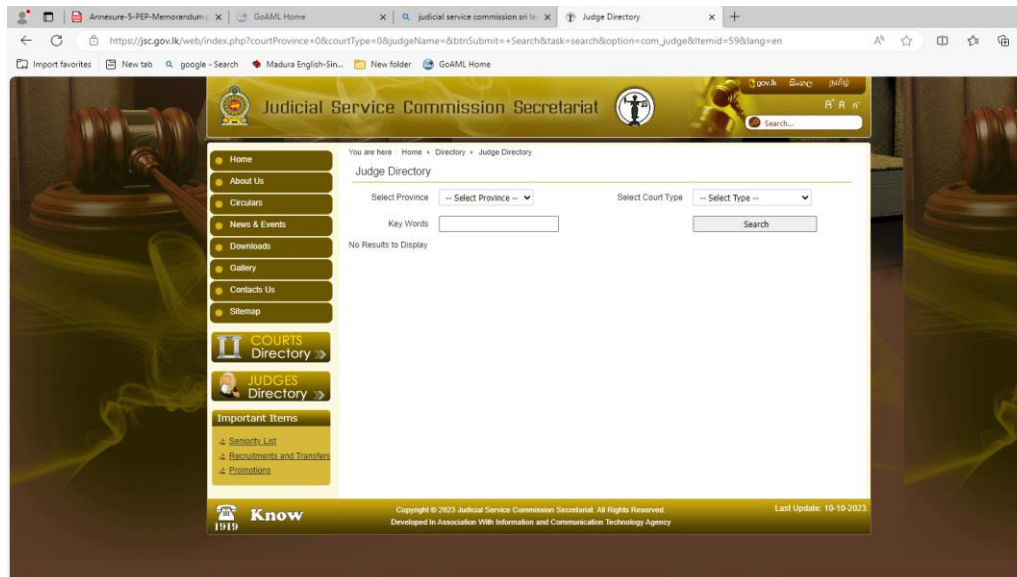
<https://courtofappeal.lk>



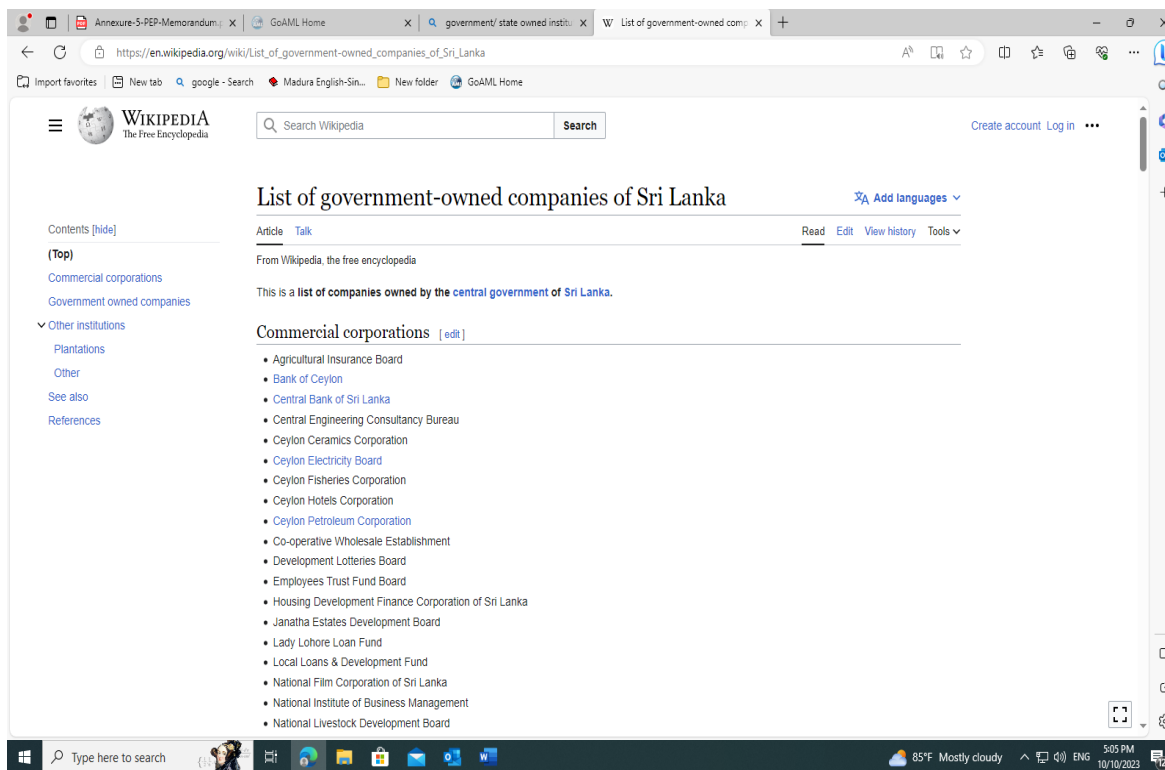
### 3.3 Other

<https://jsc.gov.lk>

Judge Directory



## 4. Government/State Owned Institutions



## 5. Police Ranks Structure

- Inspector General of Police
- Senior Deputy Inspector General of Police
- Deputy Inspector General of Police
- Senior Superintendent of Police
- Superintendent of Police
- Assistant Superintendent of Police
- Chief Inspector of Police
- Inspector of Police
- Sub Inspector of Police
- Sergeant Major

## 6. Military Officers

- Sri Lanka Army – Lieutenant Colonel and above.
- Sri Lanka Air Force – Wing Commander and above.
- Sri Lanka Navy – Commander and above

Kindly note that this is a indicative list of Local PEPs only and is not exhaustive. But one to assist you in your daily routine of identifying PEPS in account opening and continuous monitoring for KYC and CDD purpose.

### 3.0 Relationships with PEP

This category of customers known as PEPs and are required to be categorised as **HIGH Risk** from an AML Compliance perspective. However regulatory guidelines do not prohibit dealings with PEPs. But Enhanced Due Diligence (EDD) is required to be carried out on such customers.

This is to check and confirm whether the PEP Match has negative information against the respective Individual. In all such events pertaining to PEPs, the branch/business team need to **obtain approval from Corporate Management and the Compliance team if to proceed with the account relationship or not.**

It is to be noted that a negative EDD of the PEP exposes the Bank to risks and therefore it is recommended to decline the request in order to mitigate AML risks. However, if the EDD is satisfactory, the branch/business team can proceed with the PEP classification subject to adequate **Enhanced Due Diligence measure**

## 4.0 Obtain KYC for PEPs

Completion of KYC in the Account Opening Form Customers are required to complete the mandatory section made available in the Account Opening Application on PEPS.

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**Branch staff/account opening staff are required to check whether the customer has filled this section and in case of a “PEP” indication, to obtain accurate information as part of Enhanced Due Diligence.**

**5.0 PEP Classification has to be concluded as per the following procedure (Summary);**

- Complete the Risk Profiling
- Obtain the Corporate Management and Compliance approval

- The system to be updated - Categorization of PEP and as a High-Risk customer.
- Conduct Enhanced Due Diligence on an on-going basis.

## 5.1 Risk Profiling

The account opening staff / Tab account opening staff need to complete a Risk Profile document.  
(Please refer Risk Profiling Process on our Savings & Term Deposit Policy & Procedure manual)

## 5.2 Obtain the Corporate Management and Compliance approval

The branch staff / account opening staff need to submit a fully completed mandate with a justification and recommendation to the Branch Manager shall submit it with his/her comments and approval to the DGM – Business Development, who shall review same and circulate it to the Managing Director/CEO and the Corporate Management approval/endorsement subsequent to the Compliance sign-off

## 5.3 Core banking system to be updated - Categorization of PEP and as a High Risk customer.

The branch staff / account opening staff need to update Core banking System by **categorizing of PEP and as a High-Risk customer**

## 5.4 Conduct Enhanced Due Diligence on an on-going basis.

For those classified as PEPs the Company should conduct, EDD on an on going basis on the sources of funds and wealth or beneficial ownership of funds and wealth and be satisfied of the legitimacy of it by appropriate means.

If the Name Match found is for a PEP and the individual is no longer entrusted with a prominent public function/higher rank in Military or any other related function, it is required that the same steps be followed as an Existing PEP and the **“Once a PEP always a PEP”** rule applies.

## 5.5 PEP reviews

Preliminary check to be conducted by the Branch Manager at the time of on-boarding customer or upon a trigger event. As specified in Master Circular on Account Opening procedure manual, the required steps to be followed mandatorily. PEPs are subject to the Annual review by the Business/Branch.



## ANNEX - A

### NON-EXHAUSTIVE LIST CATEGORIES OF CUSTOMERS THAT CAN BE CONSIDERED AS PEPS

#### DOMESTIC PEPS

A.	1	The President
	2	The Prime Minister
	3	The Speaker and the Deputy Speaker of the Parliament
	4	Cabinet Ministers, Non-Cabinet Ministers, State Ministers, Deputy Ministers
	5	Members of Parliament
	6	Leaders of Political Parties

B	7	Governors of Provinces
	8	Chief Ministers of Provinces
	9	Mayor, Chairman of Municipal Councils
	10	Chairman of Provincial Councils
	11	Members of Municipal Councils/ Provincial Councils / Local Government Bodies
	12	Commissioners/ Secretaries to Municipal Councils/ Provincial Councils / Local Government Bodies

C	13	Chief Justice
	14	Attorney General
	15	Judges of Supreme Court
	16	Judges of the Court of Appeal
	17	Solicitor General of the Attorney General's Department
	18	Judges of High Courts/Provincial High Courts
	19	Judges of District Courts
	20	Judges of Magistrate Courts
	21	Registrar of Supreme Court
	22	Registrar of the Court of Appeal
	23	Registrars of Judges of High Courts/Provincial High Courts
	24	Registrars of District Courts
	25	Registrars of Magistrate Courts

D	26	Ambassadors /High Commissioners
	27	Consul-General/ Deputy Head of Mission/Charge d'affaires/Honorary Consul
	28	Ministers plenipotentiary and Envoys Extraordinary
	29	Representatives of UN agencies and Heads of other international organizations

E	30	Secretary/ Senior Additional Secretaries/ Additional Secretaries to the President
	31	Secretary/ Senior Additional Secretaries/ Additional Secretaries to the Prime

		Minister
	32	Secretary /Senior Additional Secretaries/ Additional Secretaries to the Cabinet of Ministers, Non-Cabinet Ministers, State Ministers, Deputy Ministers
	33	Deputy Secretary to the Treasury
	34	Secretary/ Senior Additional Secretaries /Additional Secretaries/ Deputy Secretaries to Ministries
	35	Members of the Monetary Board
	36	Governor / Deputy Governors / Assistant Governors and Heads and Additional Heads of Department of the Central Bank of Sri Lanka
	37	Advisors to the President/ Prime Minister / Ministers/ Ministries
	38	Chief of staff of presidential secretariat
	39	Auditor General
	40	Secretary General of Parliament
	41	District Secretaries/ Government Agent and Secretaries
	42	Heads and Senior Officials of Government Departments
	43	Chairmen and Senior Officials of State Enterprises
	44	Chairmen and Senior Officials of State Corporations / Statutory Boards/ Authorities/ Public Corporations

F	45	Field Marshall / Admiral of the Fleet/ Marshal of the Air Force
	46	Chief of Defence Staff
	47	General of Sri Lanka Army/Admiral of Sri Lanka Navy/ Air Chief Marshal of Sri Lanka Air Force
	48	Officers in the Rank of Lieutenant Colonel and above of Sri Lanka Army
	49	Officers in the Rank of Commander and above of Sri Lanka Navy
	50	Officers in the Rank of Wing Commander and above of Sri Lanka Air Force
	51	Inspector General of Police
	52	Police officers above the rank of Asst. Superintendent of Police

G	53	Chairman/ members and senior officers of the Public Service Commission
	54	Chairman/ members and senior officers of the National Police Commission
	55	Chairman/ members and senior officers of the Human Right Commission
	56	Chairman/ members and senior officers of the Commission to Investigation Allegations of Bribery or Corruption
	57	Chairman/ members and senior officers of the Finance Commission
	58	Chairman/ members and senior officers of the Election Commission
	59	Members of Constitutional Council
	60	Chairman/ members and senior officers of the Audi Service Commission
	61	Chairman/ members and senior officers of the Delimitation Commission
	62	Chairman/ members and senior officers of the National Procurement Commission
	63	Members of Cabinet appointed committees

H	64	Chairman, Members and senior officers of University Grant Commission
	65	Chairman, members of University Councils
	66	Chancellor
	67	Vice Chancellor
	68	Registrar of universities

#### **FOREIGN PEPS**

I	69	Officials of international organizations who hold or have held, in the course of the last 5 years, management positions in such organizations (directors, heads of the boards or their deputies)
	70	Officials of international organization who perform or performed any other management functions on the highest level, particularly in international and intergovernmental organizations,
	71	Members of international parliamentary assemblies,
	72	Judges and management officials of international courts

## ANNEX B

### DETECTING MISUSE OF THE FINANCIAL SYSTEM BY PEPs – RED FLAGS AND INDICATORS FOR SUSPICION

#### A. PEPs attempting to shield their identity:

1. Use of corporate vehicles (legal entities and legal arrangements) to obscure i) ownership, ii) involved industries or iii) countries.
2. Use of corporate vehicles without valid business reason.
3. Use of intermediaries when this does not match with normal business practices or when this seems to be used to shield identity of PEP.
4. Use of family members or close associates as legal owner.

#### B. Red flags and indicators relating to the PEP and his behavior

1. The PEP makes inquiries about the institution's AML policy or PEP policy.
2. The PEP seems generally uncomfortable to provide information about source of wealth or source of funds.
3. The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries.
4. The PEP is unable or reluctant to explain the reason for doing business in the country of the FIs/DNFBs.
5. The PEP provides inaccurate or incomplete information.
6. The PEPs seeks to make use of the services of a FIs/ DNFBs that would normally not cater to foreign or high value clients.
7. Funds are repeatedly moved to and from countries to which the PEPs does not seem to have ties with.
8. The PEP is or has been denied entry to the country (visa denial).
9. The PEP is from a country that prohibits or restricts its/certain citizens to hold accounts or own certain property in a foreign country.

#### C. PEP's position or involvement in businesses:

1. The PEP has a substantial authority over or access to state assets and funds, policies and operations.
2. The PEP has control over regulatory approvals, including awarding licences and concessions.
3. The PEP has the formal or informal ability to control mechanisms established to prevent and detected ML/TF.
4. The PEP (actively) downplays importance of his/her public function, or the public function s/he is relates to associated with.
5. The PEP does not reveal all positions (including those that are *ex officio*).
6. The PEP has access to, control or influence over, government or corporate accounts.
7. The PEP (partially) owns or controls FIs/ DNFBs, either privately, or *ex officio*.



8. The PEP (partially) owns or controls the FIs/ DNFBP (either privately or *ex officio*) that is a counter part or a correspondent in a transaction.
9. The PEP is a director or beneficial owner of a legal entity that is a client of a FIs/DNFB.

**D. Red flags and indicators relating to the industry/sector with which the PEP is involved:**

1. Arms trade and Defence industry.
2. Banking and finance.
3. Businesses active in government procurement, *i.e.*, those whose business is selling to government or state agencies.
4. Construction and (large) infrastructure.
5. Development and other types of assistance.
6. Human health activities.
7. Privatization.
8. Provision of public goods, utilities.

## **GLOSSARY**

### **Beneficiary**

A person to whom or for whose benefit the funds are sent or deposited in or paid to a Financial Institution and may include a beneficiary Financial Institution.

### **Beneficiary Financial Institution**

An institution which receives wire transfers from the ordering institution directly or through an intermediary institution and makes the funds available to the beneficiary customer.

### **Beneficial Owner**

A natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over a legal person or a legal arrangement.

### **Board of Directors**

In relation to a Financial Institution incorporated outside Sri Lanka means the senior management authority of such Financial Institution.

### **Close Associate Includes**

- (a) A natural person having joint beneficial ownership of legal entities and legal arrangements, or any other close business relationship; and
- (b) A legal person or legal arrangement whose beneficial owner is a natural person and is known to

have been set up for the benefit of such person or his immediate family members.

### **Controlling Interest**

An interest acquired by providing more than ten percent (10%) of the capital of a Financial Institution.

### **Existing Customer**

A customer who has commenced a business relationship on or before these rules come into force.

### **Financial Action Task Force**

An independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing for proliferation of weapons of mass destruction.

### **Immediate Family Member –**

Includes the spouse, children and their spouses or partners, parents, siblings and their spouses and grandchildren and their spouses.

### **Intermediary Financial Institution**

An institution in a payment chain that receives and transmits a wire transfer on behalf of the Ordering Financial Institution and the beneficiary institution, or another intermediary institution.

### **Legal Person**

Any entity other than a natural person that is able to establish a permanent customer relationship with a financial institution or otherwise owns property and includes a company, a body corporate, a foundation, a partnership or an association

## **Approval Sought**

We seek the approval of the Board of Directors to adopt this manual to meet the rules and regulations of the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (Financial Transaction Reporting ACT No.06 of 2006)

### **Recommended**

Signed

**Head of Compliance**

Signed

**CEO. Executive Director**