

To:

The Financial Intelligence Unit of Sri Lanka
Bank Supervision Department, Central Bank of Sri Lanka
Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka
Payments and Settlements Department, Central Bank of Sri Lanka
Securities and Exchange Commission of Sri Lanka
Insurance Regulatory Commission of Sri Lanka
Regulatory or Supervisory Authorities for Non-profit Organizations
Regulatory or Supervisory Authority of any other Institutions as may be appointed from time to time

**United Nations (Sanctions in relation to Democratic People's Republic of Korea)
Regulations of 2017**

Directives issued by the Competent Authority, under Regulation 36 (3) of the United Nations (Sanctions in relation to Democratic People's Republic of Korea) Regulations of 2017.



General S.H.S. Kottegoda (Retired)
WWV RWP RSP VSV USP ndc
Secretary
Ministry of Defence
Competent Authority

Colombo

28 June..... 2019

**UNSCR 1718 Implementation Practices and Enforcement Obligations, Directives No. 1 of
2019**

1. These Directives are issued under Regulation 36 (3) of the United Nations (Sanctions in relation to Democratic People's Republic of Korea) Regulations of 2017 and shall be cited as UNSCR 1718 Implementation Practices and Enforcement Obligations, Directives No. 1 of 2019 (hereinafter referred to as "Directives").
2. United Nations (Sanctions in relation to Democratic People's Republic of Korea) Regulations of 2017 (hereafter referred to as "Regulations") was promulgated by the Minister

of Foreign Affairs under Section 2 of the United Nations Act, No. 45 of 1968, and implemented through Gazette Extraordinary, No. 2039/32, dated October 06, 2017.

- (i) Objective of the Regulations is to facilitate the implementation of obligations imposed upon the member states of the United Nations to apply sanction measures in relation to the Democratic People's Republic of Korea (hereafter referred to as "DPRK"), set out in the United Nations Security Council Resolutions (hereafter referred to as "UNSCR") 1718 (2006), and any subsequent resolutions, related to DPRK and all resolutions that repeal, replace or amend earlier resolutions related to DPRK.
 - (ii) For the purpose of implementation of the Regulations, Secretary to the Ministry of Defence has been appointed as the Competent Authority by the Minister of Foreign Affairs in consultation with Minister of Defence on November 29, 2017.
 - (iii) These Directives are issued for the implementation of practices and enforcement of Targeted Financial Sanctions obligations under the Regulations.
 - (iv) The term Targeted Financial Sanction (hereafter referred to as "TFS") shall have the same meaning as defined in the Financial Action Task Force Recommendations as amended from time to time.
3. In order to expeditiously and effectively implement the provisions of the Regulations, the regulatory or supervisory authorities are directed to adhere to the following procedure:
- (i) (A) The updates to the lists established and maintained by the United Nations Security Council Committee established pursuant to resolution 1718 (2006) (hereafter referred to as "designated persons/entities list"), shall be communicated to the Institutions as defined in the Regulations as follows:
 - a. The Ministry of Foreign Affairs shall electronically forward any updates to the designated persons/entities list upon any revision, to the Competent Authority, to the Financial Intelligence Unit of Sri Lanka (hereafter referred to as "FIU") and to the Legal / UN Divisions of the Ministry of Foreign Affairs;
 - b. The FIU shall receive any updates to the designated persons/entities list from the Ministry of Foreign Affairs, or directly from the United Nations Secretariat by electronic mail.
 - (B) The FIU would electronically forward the updates mentioned in Directive 3 (i) (A) above to the Institutions and to the relevant regulatory or supervisory authorities;

Implementing TFS Provisions

- (ii) The Institutions are directed to maintain up to date designated persons/entities list at all times. On a regular basis and upon receiving notification from the FIU on updates to the designated persons/entities list, the Institutions are directed to ascertain whether designated persons/entities are neither in possession of nor holding nor having custody of any funds and other assets, financial services with the Institutions, as direct owners or as beneficial owners.
- (iii) In the event where a customer or client is identified by an Institution as specified within Part II of the Regulations as,
 - a. matching with the particulars of a designated person/entity, or
 - b. acting at the direction of or on behalf of or for the benefit of any designated person/entity, or
 - c. being owned or controlled, directly or indirectly, by any designated person/entity,the Institution is hereby directed to;
 - i. immediately freeze the funds and other assets where appropriate, belonging to such customer, client, person or entity, and
 - ii. report by way of a Suspicious Transactions Report (hereafter referred to as "STR") to the FIU as prescribed under the Financial Transactions Reporting Act, No. 6 of 2006 (hereafter referred to as "FTRA"); the details of the frozen funds and other assets, financial services, and any subsequent transaction or attempted transactions on such frozen funds and other assets.
- (iv) The regulatory or supervisory authorities are directed to carry out training and outreach for Institutions coming within such regulatory or supervisory purview, as may be feasible, on matters coming under the Regulations and these Directives.
- (v) Without prejudice to penal sanctions implemented pursuant to Regulation 34 of the Regulations, where an Institution fails to comply with or violate any of the obligations imposed under the Regulations or these Directives, considering the nature and gravity of the circumstances of such non-compliance or violation, the regulatory or supervisory authority of such Institution is directed to issue a warning letter or a censure or a letter of severe reprimand as the circumstances may warrant, followed up by an action plan requiring the Institution to ensure compliance with the Regulations;
- (vi) The imposition of any administrative sanction as specified in Directive 3(v) shall not preclude a regulatory or supervisory authority from taking any regulatory or disciplinary measures, including but not limited to, the suspension of such Institution from the carrying on of business or profession or the cancellation of a license or authority granted for the carrying on of a business or profession, as maybe permitted in terms of any applicable written law or rules for the regulation or supervision of such Institution, and any ongoing or concluded prosecution pursuant to Regulation 34

of the Regulations shall not be deemed as preventing such imposition of administrative sanction.

- (vii) The regulatory or supervisory authority is directed to provide a feedback, in writing, to the Competent Authority within 14 days from the enforcement of any administrative, regulatory or disciplinary measures enforced on any Institution pursuant to Directives 3 (v) and 3 (vi).
4. All regulatory or supervisory authorities are directed to ensure strict compliance of these Directives, which will come in to force immediately.
 5. The UNSCR 1718 Implementation Practices and Enforcement Obligations Directives No. 1 of 2017 issued on June 19, 2018 are hereby rescinded without prejudice to anything previously done thereunder.