

Strengthening Sri Lanka's Anti-Money Laundering and Counter-Terrorist Financing Framework: Challenges and Opportunities in the Digital Age

SL Weerasinghe^{1#} and SMIH Sandanayake¹

¹Faculty of Criminal Justice, General Sir John Kotelawala Defence University, Sri Lanka

[#]39-ps-0007@kdu.ac.lkv

Abstract

Sri Lanka's anti-money laundering (AML) and counter-terrorism financing (CTF) frameworks face significant challenges in the digital age, threatening financial integrity and national security. The rapid rise of digital technologies, including cryptocurrencies, digital transactions, and online banking, has outpaced existing regulations, creating new avenues for financial crimes. The purpose of this study was to investigate these challenges and opportunities, assess the effectiveness of Sri Lanka's current AML and CTF policies, and propose improvements based on international best practices. The study addressed the following questions: What are the primary challenges Sri Lanka's AML and CTF frameworks encounter due to digital technologies? How have these technologies impacted their effectiveness? What improvements can be made by learning from practices in Singapore, the United Kingdom (UK), and Australia? Using a qualitative approach utilizing both primary and secondary data, this study reviewed existing literature, policy documents, and case studies from the aforementioned countries. Recommendations include establishing a Digital Financial Intelligence Unit (DFIU) within the Financial Intelligence Unit (FIU) to leverage advanced data analytics and AI for monitoring digital transactions, utilizing blockchain technology to enhance transaction traceability, and creating a formal public-private partnership framework to drive innovation in AML and CTF processes. Insights from the successful frameworks of Singapore, the UK, and Australia will guide tailored solutions for Sri Lanka. Comprehensive training for law enforcement, regulatory authorities, and financial institutions on current trends and technologies is also crucial. By addressing these challenges and implementing the proposed recommendations, Sri Lanka can enhance its AML and CTF frameworks, adapting to evolving threats and ensuring greater financial security and stability.

Keywords: *Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF), digital technologies*