



Feedback from Anti-Money Laundering /Countering the Financing of Terrorism

The Central Bank is required to monitor compliance by Retail Intermediaries with their Anti-Money Laundering/Countering the Financing of Terrorism (“AML/CFT”) obligations. These obligations are set out in the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (as amended by the Criminal Justice Act 2013) (the “CJA 2010”). In order to have AML/CFT policies and procedures in place suitable to meet their obligations under Section 54 of the CJA 2010, it is essential that Retail Intermediaries have assessed and documented the money laundering/terrorist financing (“ML/TF”) risks inherent to their business.

From a number of recent on-site AML/CFT inspections of retail intermediaries undertaken in 2017, the Central Bank identified a number of inadequate practices, for example:

In 56% of firms inspected, there was insufficient evidence to demonstrate that the firm had adequately considered and documented the ML/TF risks applicable to the firm’s business activities

In 44% of firms inspected which had a documented ML/TF risk assessment in place, consideration and approval by the firm’s Board and/or Senior Management of the firm’s ML/TF risk assessment could not be satisfactorily evidenced

When carrying out its inspections, the Central Bank will have regard to the nature and size of each Retail Intermediary. While Retail Intermediaries may vary significantly in terms of the systems and processes used for AML/CFT compliance, nonetheless, each firm must carry out a ML/TF risk assessment. In carrying out its ML/TF risk assessment, the Central Bank expects Retail Intermediaries to:

- Formally document the ML/TF risk assessment of their business, to include all risk categories (such as product risk, customer risk, geographic risk and channel/distribution risk). For example, when considering product risk for Retail Intermediaries, some products may not be sufficiently flexible to be the first vehicle of choice for money launderers, as they may be designed for the long term, only paying out on a verifiable event, such as death or retirement. However, consideration must be given to the risk that the funds used to purchase such products may be the proceeds of crime;



- Ensure that identified risks are assigned a risk rating having regard to the systems and controls in place to manage those risks;
- Devise appropriate controls to mitigate any risks identified and ensure that these controls are aligned to and embedded in operational procedures;
- Complete an adequate ML/TF risk assessment of their legacy business, including books of business taken on through acquisition or merger;
- Document the rationale underpinning the basis for the conclusions outlined in the risk assessment;
- Document evidence of meetings held and decisions taken when drafting or reviewing the risk assessment for the firm;
- Ensure that risk assessments are reviewed and approved by the Board (or Senior Management in the case of sole traders/partnerships) at least annually, and are used to inform the Retail Intermediary's approach to the management of ML/TF risk; and
- Review and update risk assessments in line with business developments and changes in risk categories, such as product risk, customer risk, geographic risk and channel/distribution risk.

The National Risk Assessment for Ireland (Money Laundering and Terrorist Financing), published in September 2016, categorised the overall risk rating for the Retail Intermediary sector as low. The Central Bank also acknowledges that from discussions with Retail Intermediaries during our on-site inspections, it is evident that firms are aware of their ML/TF risks. However, these ML/TF risks have not been formally documented to include all risk categories (such as product risk, customer risk, geographic risk and channel/distribution risk). When considering and documenting its ML/TF risk assessment a Retail Intermediary may use, among other things, its own knowledge and professional expertise, information published by the Central Bank (e.g. AML/CFT sectoral reports and bulletins), information from industry representative bodies, and information from international bodies such as European Supervisory Authorities' Final Guidelines on Risk Factors (published on 26 June 2017).