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Settlement Agreement between the Central Bank of Ireland and Community Credit Union Limited

The Central Bank of Ireland (the “Central Bank”) has entered into a Settlement Agreement with effect from 13 December 2012 with Community Credit Union Limited, a regulated financial service provider, (the “Firm”) in relation to various breaches of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (the “CJA 2010”).

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €21,000 for its failure to comply with certain requirements of the CJA 2010, which is aimed at protecting the financial system from the risk of exposure to money laundering and terrorist financing.

Breaches

The breaches of the CJA 2010 identified are:

1. The Firm failed, for a period from 15 July 2010 (the date that the CJA 2010 came into force) until 29 November 2011, to adopt policies and procedures:
 - to prevent and detect the commission of money laundering and terrorist financing;
 - to specify to persons involved in the conduct of the Firm’s business the Firm’s relevant obligations under the CJA 2010, including in relation to (a) the

assessment and management of risks of money laundering or terrorist financing and (b) internal controls, including internal reporting procedures;

- to monitor and manage compliance with, and the internal communication of, policies and procedures.

The above failures amounted to breaches of Sections 54(1) to 54(4) of the CJA 2010.

2. The Firm failed, to the extent reasonably warranted by the risk of money laundering or terrorist financing, from 15 July 2010 (the date the CJA 2010 came into force) until 29 November 2011, to monitor dealings with customers with whom it had a business relationship, including scrutinising transactions and the source of wealth or of funds for those transactions in accordance with Section 35(3) of the CJA 2010.
3. The Firm failed, from 15 July 2010 (the date the CJA 2010 came into force) until 29 November 2011, to take measures reasonably warranted by the risk of money laundering and terrorist financing to verify the identity of beneficial owners to the extent necessary to ensure that the Firm had on reasonable grounds satisfied itself as to who the beneficial owners were. This failure amounted to a breach of Section 33(2)(b)(i) of the CJA 2010.
4. The Firm failed, in breach of Section 42(1) and 42(2) of the CJA 2010, to report certain suspicions of money laundering or terrorist financing as soon as practicable.
5. The Firm failed from 15 July 2010 (the date the CJA 2010 came into force) until 6 December 2011 to (a) provide persons involved in the conduct of the Firm's business with instruction on the law relating to money laundering and terrorist financing and (b) on-going training on identifying a transaction or other activity related to money laundering and terrorist financing. These failures amounted to a breach of Section 54(6) of the CJA 2010.

Background

The Central Bank's Anti-Money Laundering and Counter Terrorist Financing Supervisory Unit identified these breaches during an inspection of the Firm conducted on 22 and 23 September 2011. Following this inspection, an examination was conducted by the Central Bank's Enforcement Division.

Sanctions decision factors

The taking of this case and the sanctions imposed reflect the seriousness with which the Central Bank views the breaches of the legislative provisions which are designed to prevent the use of the financial system for the purposes of money laundering and terrorist financing.

The Central Bank's examination identified the Firm's failure to take into account and implement the important legislative changes imposed by the CJA 2010.

The Central Bank takes particularly seriously the fact that the Firm failed to implement key legislative requirements relating to anti-money laundering and terrorist financing under the CJA 2010 until the Central Bank carried out an inspection of the Firm.

Notwithstanding the seriousness of the breaches, the Central Bank also took account of the following mitigating factors in deciding the appropriate penalty to impose:

- the Firm co-operated fully in the examination process and settled at an early stage in the administrative sanction procedure.
- the Firm has confirmed that it has now rectified the breaches in question and has provided documentation in support of this.
- the Firm has introduced procedures and controls to prevent future incidences of this nature.
- the overall circumstances together with the nature and services provided by the Firm.

The Central Bank confirms that the matter is now closed.

-End-

The Central Bank of Ireland (“Central Bank”) entered into a Settlement Agreement on 13 December 2012 with Community Credit Union Limited, a regulated financial services provider, in relation to breaches of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (“the CJA 2010”).

The Central Bank also issued a general comment from Director of Enforcement, Peter Oakes:

“This is the Central Bank’s first administrative sanction against a credit union and the second administrative sanction of a firm for non-compliance with money laundering and terrorist financing laws which came into force in July 2010. This action arises from a program of inspections across all regulated sectors of the financial services industry to monitor firms’ compliance with the CJA 2010.

Credit unions have an important role to play in the financial services sector, providing services to credit union members throughout the country and savings under management of almost €12bn. They therefore play an integral part in efforts to prevent the use of the financial system for the purposes of money laundering and terrorist financing.

The Central Bank expects all firms that are subject to its oversight to manage their business processes to ensure compliance with the CJA 2010 and be in a position to demonstrate their compliance with the requirements of this law. Furthermore, firms must also maintain awareness at board level of the need to continually review the appropriateness of their risk-based anti-money laundering and counter terrorist financing measures as business evolves.

The Registrar of Credit Unions – James O’Brien – has consistently expressed the need for a strong compliance culture to be embedded in the credit union sector. Credit unions must ensure full compliance with all legal and regulatory requirements in order to protect members’ savings and ensure that they have systems and procedures that are fully compliant with the requirements of relevant legislation.

Firms are also reminded to review the Central Bank’s “Dear CEO” letter dated 12 October 2012, which was issued to all Irish-regulated credit and financial institutions regarding compliance with the CJA 2010. As indicated in that letter, the Central Bank’s program of inspections revealed a significantly lower level of compliance than expected.”