



Welcome to the Intermediary Times – Special Edition

Retail intermediaries play an important role in the provision of financial products and services to consumers throughout Ireland. While traditionally these types of financial products and services may not have been attractive vehicles for money laundering or terrorist financing, recent national and international events have highlighted the need for the entire financial services sector to remain vigilant.

This special edition of the Intermediary Times sets out the results of the Central Bank's on-site inspections of retail intermediaries' compliance with their Anti-Money Laundering/ Counter Terrorist Financing (AML/CTF) obligations. For the individual firms inspected, remedial action has been taken to address the issues identified. However, in order to be fully transparent and to assist the sector with its AML/CTF compliance obligations, we have set out the key issues identified from the inspections undertaken as well as what the Central Bank expects to see in place when it carries out its AML/CTF inspections.

We hope that you find this newsletter useful and as always, we would welcome your feedback.

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Anti-Money Laundering/Counter Terrorist Financing

Introduction

The Central Bank is required to monitor compliance by retail intermediaries with their AML/CTF obligations. These AML/CTF obligations are set out in the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (CJA 2010). Over the course of 2015/2016, the Central Bank conducted a number of on-site inspections of retail intermediaries to assess AML/CTF compliance.

The retail intermediary sector is diverse in terms of the size and legal structure of firms, varying from subsidiaries of large multi-nationals/insurance companies/credit institutions to one-person operations. When carrying out AML/CTF on-site inspections, therefore, the Central Bank has regard to the nature and size of each retail intermediary.

In general, the on-site inspections found a satisfactory level of AML/CTF processes and controls in place in the retail intermediaries inspected. However, there are a number of areas where improvements could be made by retail intermediaries to strengthen their existing AML/CTF control framework and allow for more effective management of Money Laundering and Terrorist Financing risks. These are set out in more detail below.

Money Laundering/Terrorist Financing Risk Assessment

Carrying out a Money Laundering/Terrorist Financing risk assessment helps a firm understand where Money Laundering/Terrorist Financing risk resides. This will enable the firm to determine the type and level of Customer Due Diligence to apply, and the level and frequency of on-going monitoring required. The steps firms take to identify and assess Money Laundering/Terrorist Financing risk across their business should be proportionate to the nature and size of the firm.

During the inspections the Central Bank found in some instances, an absence of, or inadequate completion of, a formal Money Laundering/Terrorist Financing risk assessment capturing all risk categories. For example, this includes failure to fully consider the potential for increased risk arising from non-face-to-face customer interaction or transacting with legal persons and arrangements, not including all products/services in the risk assessment undertaken, etc.

The Central Bank expects that retail intermediaries undertake and document a Money Laundering/Terrorist Financing risk assessment of their business, to include all risk categories e.g. distribution channel, customer type, etc. Such an assessment should be updated regularly and reflect any changes in products or services offered e.g. new offerings with increased risk may require Standard or Enhanced Customer Due Diligence to be carried out.



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Customer Due Diligence (CDD) and on-going monitoring

While the nature of the financial products and services provided by many retail intermediaries results in Simplified CDD being applied, retail intermediaries need to be mindful of the requirement to conduct on-going monitoring of all customers.

From the sample testing undertaken by the Central Bank of both new and existing customers, a number of issues were identified, including:

- Photo ID and/or address verification documents were not always available on the customer file.
- For corporate customers, no constitutional documentation and/or other information (e.g. audited accounts, information from Companies Registration Office, etc.) were obtained for some of the customer files reviewed.
- Documented evidence to demonstrate that on-going monitoring takes place was not always maintained.

In assessing how retail intermediaries meet their CDD obligations the Central Bank expects that:

- All required identification and verification is obtained and retained. Where Standard or Enhanced CDD is carried out, sufficient detail must be evidenced on the customer file.
- Records are maintained of the on-going monitoring conducted, including the type of and frequency of the monitoring undertaken.

Training

The CJA 2010 requires retail intermediaries to ensure that management and staff are aware of the law relating to Money Laundering/Terrorist Financing and are provided with on-going training. A number of issues were identified in relation to training, including:

- Insufficient evidence that all staff, including those in key roles relating to AML/CTF, had received appropriate training.



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- Training records were not always maintained to demonstrate who had received the training, when the training took place and the nature of the training received.
- In some of the larger retail intermediaries, staff members were provided with generic, high level AML/CTF training, but limited or no specific training related to the AML/CTF procedures and processes relating to the firm's specific operations.

The Central Bank expects that regular AML/CTF training is provided to all management and staff. Depending on the nature and size of the retail intermediary, it may be necessary to tailor the training towards the firm's specific operations.

Policies and Procedures

In accordance with the CJA 2010, retail intermediaries must adopt policies and procedures to prevent and detect the commission of Money Laundering and Terrorist Financing. In assessing the policies and procedures in place, the Central Bank identified a number of issues, including:

- Policies and procedures that are not aligned to, and reflective of, the Money Laundering/Terrorist Financing risk assessment of the retail intermediary's specific product/service offering and its operations.
- Policies and procedures were not always adhered to in practice.
- Policies and procedures did not provide sufficient detail in relation to suspicious transaction reporting e.g. no timelines set in relation to the filing of suspicious transaction reports and insufficient information provided on what might be deemed a suspicious transaction.



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When designing and implementing AML/CTF policies and procedures, the Central Bank expects that:

- In particular for the larger retail intermediaries with more complex systems and processes in place, AML/CTF policies are supplemented by guidance and supporting procedures that fully demonstrate consideration of, and compliance with, AML/CTF requirements, and are based on the firm's specific operations.
- Policies and procedures are readily available to all staff, are fully implemented and consistently adhered to.
- Sufficient detail and timelines are provided in relation to staff raising suspicions transaction reports.

Useful Information

Guidance Notes on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

PART II

SECTORAL GUIDANCE - Life Assurance

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<http://www.finance.gov.ie/sites/default/files/guidelaundersep2012.pdf>