



## Credit Union Chairperson

By email

27 February 2018

**Re: Compliance under the provisions of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended by the Criminal Justice Act 2013 (the CJA 2010)**

Dear Chairperson,

Please be advised that the Central Bank of Ireland (the Central Bank) is responsible for monitoring the compliance of credit and financial institutions with the provisions of the CJA 2010.

The Central Bank's Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) supervisory engagement with credit unions includes on-site inspections, review meetings, Risk Evaluation Questionnaires (REQs) and outreach activities, such as seminars and publications. The Central Bank also has a dedicated section on its website for AML/CFT and Financial Sanction matters, which credit unions should monitor for updates.

The Central Bank published its "*Report on AML/CFT and Financial Sanctions Compliance in the Irish Credit Union Sector*" in May 2015<sup>1</sup>. The purpose of the report was to share the Central Bank's findings from its AML/CFT on-site inspections and REQs and set out the Central Bank's expectations around AML/CFT compliance in the credit union sector. The Central

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<sup>1</sup> <https://www.centralbank.ie/news/article/report-on-anti-money-laundering-in-irish-credit-union-sector>.



Bank's supervisory engagements with credit unions completed since the publication of the report have found that not all of the issues highlighted in the report have been fully addressed. Furthermore, levels of awareness of the contents of the report and more generally of the legislative requirements relating to AML/CFT, vary greatly between credit unions. The Central Bank is of the view that some credit unions must do more to develop a robust AML/CFT framework.

The CJA 2010 requires all credit unions to adopt policies and procedures to prevent and detect the commission of money laundering and terrorist financing. The Central Bank expects that all credit unions are able to demonstrate compliance with the requirements of the CJA 2010 and that all credit union's AML/CFT frameworks are fully established and embedded into the operations of the credit union. The Board of the credit union plays a critical role in the establishment and oversight of the credit union's AML/CFT framework and has ultimate responsibility for ensuring the credit union complies with the CJA 2010.

Section 76K of the Credit Union Act 1997 requires a credit union to have an Internal Audit function. To assist credit unions with this requirement, guidance on an Internal Audit function is provided in Chapter 11 of the Credit Union Handbook<sup>2</sup>. In accordance with section 2.5 (Internal Audit Plan) of Chapter 11, the AML/CFT framework should be included in the risk assessment undertaken by the Internal Audit function, to identify key risks within the credit union. The Board of the credit union should consider on at least an annual basis, if the AML/CFT framework should be tested by the Internal Audit function. Any such review should assess the effectiveness of the AML/CFT framework and provide assurance to the Board that AML/CFT policies, procedures, systems and controls are being adhered to in practice and are fit for purpose.

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<sup>2</sup> <https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/credit-unions/credit-union-handbook/cu-handbook-internal-audit.pdf?sfvrsn=2>



All credit unions are requested to bring this letter to the attention of their Internal Audit function, to assist and inform the design and delivery of the Internal Audit's work programme.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Brendan Lawlor".

**Brendan Lawlor**

**Head of Supervision**

**Anti-Money Laundering Division**