



AN ROINN DLÍ AGUS CIRT AGUS COMHIONANNAIS  
DEPARTMENT OF JUSTICE AND EQUALITY

**ANNUAL REPORT**

**on**

**MONEY LAUNDERING**

**and**

**TERRORIST FINANCING**

**2016**

*Issued by the Department of Justice and Equality*

*(AML/CTF Policy Co-ordination Unit)*

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# 1 Introduction

This Report has been prepared in accordance with Article 33 of Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 (the 3rd Directive) on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. The purpose of this Report is to provide details on Ireland's response to Money Laundering and Terrorist Financing through:

- the legislative regime;
- the international impact;
- the regulatory framework;
- law enforcement; and
- supervisory authorities.

## 1.1 Money Laundering and Terrorist Financing

Money laundering and terrorist financing are financial crimes with economic effects on a global scale.

Money laundering is the term used to describe the means by which criminals try to disguise the original ownership and control of the proceeds of crime i.e. turning 'dirty' money or property into 'clean' funds. The processes by which money may be laundered are extensive and may involve goods and/or assets. By concealing monies gained through criminal enterprises and making these appear to have come from legitimate sources, criminals can accumulate and use the proceeds of crime for the purposes of personal gain and for the purposes of funding further criminal enterprises.

Terrorist financing is defined by what the funds are to be used for i.e. terrorist activity, rather than the source of these funds, as is the case with money laundering. Funds to support terrorist groups can have both legal and illegal sources and can involve legitimate businesses and charities in addition to funds raised through criminal means.

While these two phenomena differ in many ways, they often exploit the same vulnerabilities in financial systems that allow for an inappropriate level of anonymity and non-transparency in the execution of financial transactions.

## 2 Legislative Regime

### 2.1 Domestic Legislation

Money laundering legislation in Ireland, as elsewhere, is based on putting in place a range of 'defensive' measures intended to mitigate the risk of money laundering occurring in the first place and, in instances where money laundering does occur, to ensure that significant dissuasive sanctions are applied.

In Ireland, terrorist financing is also criminalised within the money laundering legislative framework and compliance controls apply equally to both.

The main provisions in Irish law relating to money laundering were first set out in Section 31 of the Criminal Justice Act 1994, (as amended) while the offence of financing terrorism was criminalised in the Criminal Justice (Terrorist Offences) Act 2005, which amended the 1994 Act.

In 2010, a radical overhaul of Ireland's approach was undertaken with the enactment of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, which had the effect of transposing the Third EU Money Laundering Directive (2005/60/EC) and the associated Implementing Directive (2006/70/EC) into Irish Law. This brought Ireland into line with EU requirements while at the same time giving effect to certain recommendations of the Financial Action Task Force<sup>1</sup> (FATF) - the international anti-money laundering and counter-terrorist financing body established in 1989 by the G7 countries. The Act consolidated Ireland's existing anti-money laundering and counter-terrorist financing laws.

The 2010 Act sets out a range of provisions covering, among others,

- Money Laundering offences
- Financial Services industry
- Professional Services Providers, etc
- Customer Due Diligence
- Suspicious Transaction Reports
- Tipping off
- Internal Policies and Procedures
- Training
- Record keeping
- Monitoring
- Authorisation of Trust or Company Service Providers (TCSPs)

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<sup>1</sup> An international body which sets standards and promotes effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

To mitigate the risks posed by the laundering of illicit funds, the Act places a number of obligations on a wide variety of businesses (referred to in the legislation as ‘designated persons’) including:

- credit and financial institutions;
- accountants, auditors, tax advisors;
- independent legal professionals including solicitors, barristers and notaries;
- trust and company service providers;
- property service providers;
- persons who effectively direct a private members’ club at which gambling activities are carried on;
- anyone who trades in goods in respect of transactions involving payments to the person in cash of a total of at least €15,000 whether once-off or linked transactions.

In order to ensure that businesses comply with their anti-money laundering/counter-terrorist financing obligations, a number of bodies/organisations have been assigned the role of a competent authority and oversee the various sectors. These include State Competent Authorities such as the Minister for Justice and Equality<sup>2</sup>, the Property Services Regulatory Authority (PSRA)<sup>3</sup> and the Central Bank of Ireland alongside other competent authorities (namely the Law Society and Professional Accountancy bodies) with expertise in the relevant sectors. Competent authorities employ a range of measures to mitigate risks in their sectors including desktop checks, risk assessments, inspections, etc. In addition to complying with the requirements of the competent authorities, ‘designated persons’ are also legally obligated to report suspicious transactions to An Garda Síochána and to the Revenue Commissioners.

For those found to be involved in money laundering, the seriousness of the offence is reflected in the level of penalties which a person may face, if found guilty. On summary conviction, the guilty party could face a fine of up to €5,000 and a term of imprisonment of up to 12 months. On indictment, an offender found guilty could be jailed for up to 14 years or be fined or both.

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<sup>2</sup> Please note that the Minister carries out her functions in this regard through the Anti-Money Laundering Compliance Unit of the Department of Justice and Equality.

<sup>3</sup> In September 2016, the Minister for Justice and Equality prescribed the PSRA as the State competent authority for property service providers for the purposes of Part 4 of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010.

The Irish anti-money laundering/counter-terrorist financing framework was subsequently further strengthened by the enactment of the Criminal Justice Act, 2013. The 2013 Act amended the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 giving rise to changes in a number of areas including:

- Customer Due Diligence (CDD) and in particular
  - Occasional transactions,
  - Changes to grounds for applying CDD,
  - Required verification for reduced CDD,
  - Obligations for applying enhanced CDD in high risk circumstances,
  - Changes to CDD for Politically Exposed Persons (PEPs).
- Requirements for enhanced policies and procedures for detecting and preventing money laundering.
- Changes to allow for the retention of documentation overseas (subject to specified conditions).
- Changes to allow the issuing of directions, by the Central Bank of Ireland and the Minister for Justice and Equality, to 'designated persons' requiring them to take particular actions for the purpose of complying with Part 4 of the 2010 Act.

## **2.2 EU Legislative Developments**

The EU Third Money Laundering Directive 2005/60/EC (the 3<sup>rd</sup> Directive) was adopted in October 2005. The main objective that the Directive set out to achieve was to align the EEA regulatory regime applicable to tackling money laundering and terrorist financing with the recommendations of the Financial Action Task Force (FATF). The major issues addressed by the 3<sup>rd</sup> Directive include:

- Broadening of the scope of persons subject to regulation
- Requirement to have a risk assessment
- Need to conduct Customer Due Diligence (CDD), including both Simplified Customer Due Diligence (SCDD) and Enhanced Customer Due Diligence (ECDD)
- Monitoring clients
- Third party reliance
- Enforcement powers

On 20 May 2015, the European Parliament adopted the 4<sup>th</sup> EU Money Laundering Directive<sup>4</sup> (the 4<sup>th</sup> Directive) EU 2015/849. This Directive is designed to remove any

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<sup>4</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

ambiguities in previous legislation and improve consistency of Anti-Money Laundering and Counter-Terrorist Financing rules across all EU Member States. The Directive takes account of the latest recommendations of the Financial Action Task Force from 2012. Furthermore, it outlines a number of modifications to the 3<sup>rd</sup> Directive in relation to the risk-based approach, ongoing monitoring, beneficial ownership, customer due diligence (CDD), politically exposed persons (PEPs) and third party equivalence.

The Directive has as its aim:

- The provision of a more targeted and focused risk-based approach.
- The clarification of the rules around CDD.
- The extension of the scope of PEPs, to cover domestic PEPs.
- The extension of the scope of persons dealing in goods for cash payments, threshold reduced from €15,000 or more to €10,000 or more.
- The broadening of coverage in respect of the gambling service providers, albeit subject to a derogation whereby a risk assessment finds that the risks of money laundering or terrorist financing is low.
- The establishment and maintenance of central registers of beneficial ownership data on corporate and other legal entities and certain trusts.
- The clarification of enforcement powers of national Competent Authorities.
- The provision of a role for the European Supervisory Agencies (ESAs) to develop guidelines for the purpose of assisting credit and financial institutions apply the risk-based approach.
- The strengthening of cross-border co-operation between Member States' Financial Intelligence Units ("FIUs").

## 2.3 Guidelines<sup>5</sup>

During 2012, Guidelines on the prevention of the use of the financial system for the purposes of money-laundering and terrorist financing were published on the website of the Department of Finance following a consultation process with relevant stakeholders. The Guidelines are structured in 2 parts. Part 1 contains general guidance for all 'designated persons' while Part 2 contains sector specific guidance.

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<sup>5</sup> <http://www.finance.gov.ie/sites/default/files/Criminaljustice2012.pdf>

## 3 Domestic Policy and International Environment

### 3.1 National Risk Assessment

Ireland published its first National Risk Assessment (NRA) on Money Laundering and Terrorist Financing in October 2016. The purpose of this Assessment was to identify, understand and assess the money laundering and terrorist financing risks faced by Ireland and to develop effective strategies to address them. This Assessment is intended to assist the State, its law enforcement authorities, competent authorities and the public to better understand Ireland's Money Laundering / Terrorist Financing (ML/TF) risks so as to allocate resources and prioritise activities in a proportionate and risk-based manner. The Assessment is the result of extensive engagement with a wide range of State bodies, supervisors, law enforcement agencies, security and intelligence agency and private sector representatives. The results of this NRA will help inform policy, operations and the allocation of resources to areas of higher risk.

The NRA addresses the following areas in relation to Ireland:

- Legal, judicial and supervisory framework
- Main threats
- Financial services sector
- Non-financial sector
- Legal entities and arrangements
- Cash and other payment methods
- Terrorist Financing

Furthermore, it determines a risk rating for a number of sectors with respect to their level of ML/TF risks. Some sectors, e.g. gambling, were not given a final risk rating.

It is important to note, that whilst these ratings are for 'residual risk' – the residual risk after taking mitigants and other relevant factors into account – a higher rating does not necessarily indicate that there is low compliance in this sector. Some sectors, by their very nature or scale, will remain higher risk even with robust Anti-Money Laundering / Combating the Financing of Terrorism (AML/CFT) compliance, whilst others may remain relatively unproblematic, despite potential vulnerabilities.

**Table 1 Overview of sectors, which were given a final risk rating**

Assessed Sector	Rating
Retail Banking	High
Non-Retail Banking	Medium-High
Money Remittance Firms	High
Payment Institutions (other than Money Remitters)	Medium-Low
Bureau de Change	High
Life Assurance	Medium-Low
Funds/Funds Administrators	Medium-High
Asset Managers	Medium-Low
Investment Firms	Medium-High
Credit Unions	Medium-Low
Moneylenders	Medium-Low
TCSPs (Trust or Company Service Providers) ( <i>subsidiaries of credit or financial institutions</i> )	Low
Retail Intermediaries	Low
PMCs (Private Members' Clubs)	Medium-High
HVGDs (High Value Goods Dealers)	Medium-High
TCSPs (Trust or Company Service Providers) ( <i>excl. subsidiaries of credit or financial institutions</i> )	Medium-High
Notaries	Medium-Low
PSPs (property service providers)	Medium-Low
Legal Services Sector	Medium-High
Accountancy Services Sector	Medium-High
NPOs (non-profit organisations)	Medium-Low

### 3.2 Financial Action Task Force

The Financial Action Task Force (FATF) is an independent intergovernmental organisation established by the G-7 in 1989 boasting a membership of some 37 countries and 9 FATF-Style Regional Bodies (FSRBs). It is a “policy making organisation” that leads the international fight against money laundering and terrorist financing. The FATF sets international standards for combating money laundering and terrorist financing. Furthermore, it promotes the effective implementation of legal, regulatory and operational measures for combatting money laundering, terrorist financing and other related threats to the integrity of the international financial system.

The FATF has developed a series of Recommendations that are recognised as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for a co-ordinated response to threats to the integrity of the financial system and help ensure a level playing field. First issued in 1990, the FATF Recommendations were revised in 1996, 2001, 2003 and most recently in 2012 to ensure that they remain up to date and relevant, and they are intended to be of universal application.

The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

The FATF's decision-making body, the FATF Plenary, meets three times per year.

The FATF is currently undertaking its 4<sup>th</sup> round of country evaluations. Throughout 2016, Ireland was preparing for the visit of an assessment team in November 2016. An 8 person assessment team spent 2 weeks in Ireland meeting representatives from State, law enforcement, supervisors and private sector representatives in an effort to understand all the measures being undertaken in Ireland to combat money laundering and terrorist financing. The outcome of this assessment will be a Mutual Evaluation Report (MER) on Ireland, which will be published in 2017.

## **4 Combating Money Laundering and Terrorist Financing**

### **4.1 Threats**

#### **4.1.1 Money laundering**

When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or to the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention. This process is commonly referred to as 'money laundering' and it enables criminals to retain profits derived from crime and to finance further criminal enterprises. There are a wide range of 'predicate offences' commonly connected with money laundering, which are considered particularly generative of illicit proceeds, as follows:

- Drug offences;
- Financial Crime;
- Tobacco smuggling;
- Tax evasion;
- Prostitution;
- Fuel laundering;
- Theft;
- Cybercrime;
- Human Trafficking;
- Bribery and Corruption; and
- Other illicit trade such as counterfeiting and intellectual property theft.

#### **4.1.2 Terrorist Financing**

Terrorist financing is defined by what funds are used for i.e. terrorist activity, rather than the attempt to conceal the illegal origin of funds as is the case with money laundering. Therefore, the sources by which terrorists generate funding are diverse and encompass both legal and illegal activities. According to FATF, these sources of terrorist financing can be divided into two general types:

- Financing from above, involving large-scale financial support aggregated centrally by States, companies, charities or permissive financial institutions.
- Financing from below, involving fund-raising on a small and often dispersed scale, for example self-financing by the terrorists themselves through employment or welfare payments.

A single terrorist organisation may use a number of different financing methods. What is noteworthy is the great adaptability and opportunism that terrorists deploy in meeting their funding requirements. The raising, moving and using of funds for terrorism can be especially challenging and almost indistinguishable from the financial activity associated with everyday life.

## **4.2 Enforcement**

### **4.2.1 Reporting suspicions**

In order for Ireland's anti-money laundering / counter-terrorist financing regime to be effective, 'designated persons' must disclose any knowledge or suspicions they may have regarding such activities to both An Garda Síochána and to the Revenue Commissioners. This disclosure is commonly referred to as a "Suspicious Transaction Report" (STR) and is provided for under Section 42 of the 2010 Act. Competent Authorities can also report suspicions to An Garda Síochána and to the Revenue Commissioners under Section 63 of the 2010 Act.

To be of benefit, these reports should set out:

- The basis for the knowledge, suspicion or reasonable grounds for suspicion.
- The identity, if known, of the person suspected of being engaged in a money laundering or terrorist financing offence.
- The whereabouts of the property or funds suspected to be the subject of money laundering or terrorist financing.
- Any other information that is considered may be relevant, e.g. if cash is involved then the condition of that cash.

### **4.2.2 An overview of reports received in 2016**

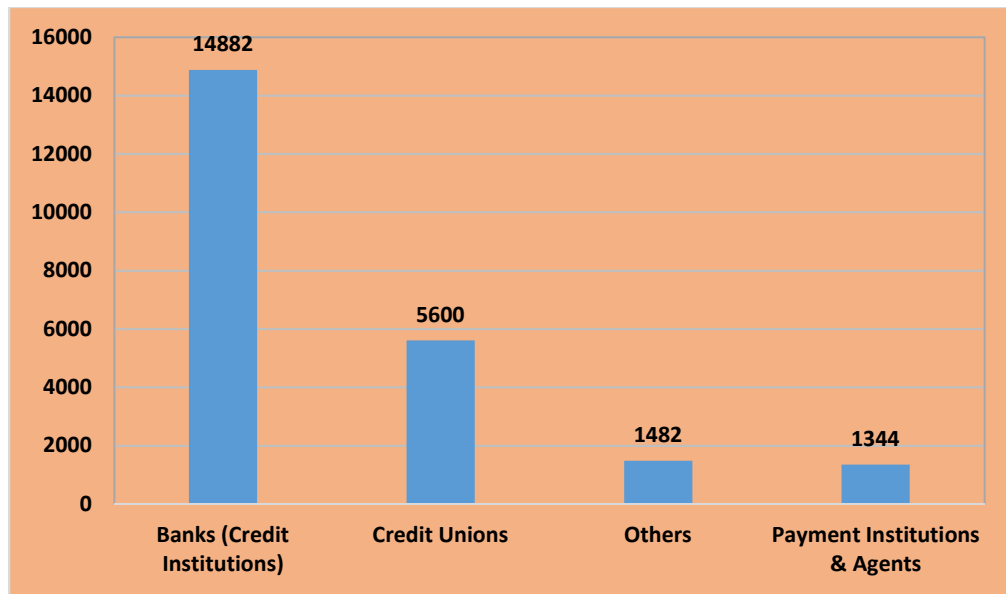
In 2016, An Garda Síochána received a total of 23,308 STRs while the Revenue Commissioners received 22,607 - a difference of 701 reports. This difference is accounted for by the fact that not all reports of suspicions have been sent to both enforcement bodies (see Reporting Suspicions), despite the requirement to do so.

An examination of STRs received by An Garda Síochána shows that three categories of designated persons (Credit Institutions i.e. Banks, Credit Unions and Payment Institutions/Agents) accounted for 94% (21,826) of reports. Of these Credit Institutions, Banks alone accounted for 64% (14,882) with Credit Unions accounting for 24% (5,600) and Payment Institutions & Agents accounting for 6% (1,344). Reports received from other designated persons accounted for the remaining 6% (1,482)<sup>6</sup>. See Appendix 1 for the outcome of reports received in 2016.

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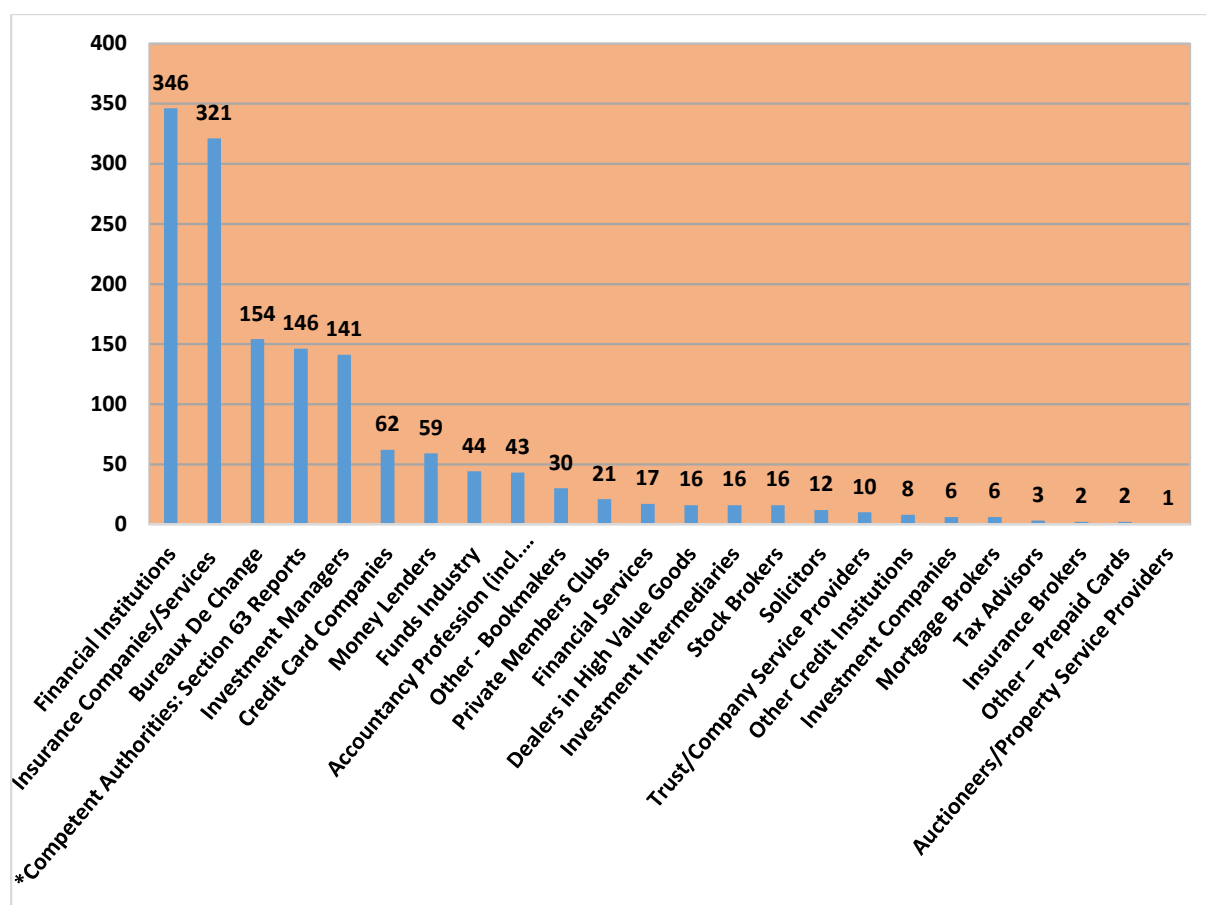
<sup>6</sup> Please note that percentages have been rounded to the closest whole number.

**Figure 1 Reporting of suspicions in 2016**



While reports from ‘others’ i.e. other designated persons accounted for a relatively small proportion of the reported suspicions received in 2016, this group encompasses a diverse range of businesses among which levels of reporting varied considerably. The disparity in reporting may be due to a number of factors including the size of the sectors and the extent of their regulatory exposure. (See Appendix 2 for a more detailed discussion concerning levels of reporting).

**Figure 2 Reporting of suspicions by 'other designated persons' in 2016**



During 2016 Competent Authorities submitted a total of 146 Section 63 Reports to An Garda Síochána and to the Revenue Commissioners, some 132 where initiated by the Anti-Money Laundering Compliance Unit within the Department of Justice and Equality, arising from what Authorised Officers deemed to be suspicious transactions or suspicious activity across the range of sectors.

#### **4.2.3 How reports of suspicions are used**

Information contained in reports of suspicions is used for a variety of purposes including:

- The identification and investigation of crimes such as drug trafficking and customs offences,
- Tax related offences, and
- Other activities such as auditing and compliance monitoring.

#### **4.2.4 Investigating suspicions**

An Garda Síochána and the Revenue Commissioners liaise closely on issues of mutual concern, especially in relation to reports that may indicate a criminal offence. In such

instances, An Garda Síochána will undertake an investigation and upon completion, the Revenue Commissioners will enquire as to the potential occurrence of tax offences.

The flow of reported suspicions from designated persons and Competent Authorities to An Garda Síochána and to the Revenue Commissioners enable investigations and prosecutions to be initiated and ultimately for criminal convictions or other appropriate sanctions to be imposed.

### **4.3 Prosecuting and convicting offences<sup>7</sup>**

Law enforcement authorities conduct a range of targeted operations against Organised Crime Groups (OCGs) to disrupt and prevent their operation.

#### **4.3.1 Charges**

In 2016, An Garda Síochána charged 18 persons with 22 money laundering offences.

#### **4.3.2 Prosecutions**

The Office of Director of Public Prosecutions is responsible for the prosecution of all indictable criminal offences including those relating to money laundering and terrorist financing. In 2016, there were 36 files<sup>8</sup> in which money laundering offences were recommended or considered. The outcome of these deliberations was as follows:

- 12 cases had no prosecution for any offence directed.
- 17 cases had money laundering offences directed.
- 7 cases had offences other than money laundering directed.

#### **4.3.3 Convictions**

In 2016, 9 persons were convicted for 16 money laundering offences. It should be noted that these convictions refer to cases preferred in previous years.

#### **4.3.4 Seizure of Assets**

The Office of the Director of Public Prosecutions has a dedicated Assets Seizing Unit which co-ordinates and monitors applications brought under the Criminal Justice Act, 1994 pertaining to forfeiture, confiscation and freezing. The 1994 Act is an important

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<sup>7</sup> Suspects may not be charged or convicted/acquitted in the same year as a prosecution is directed therefore the number of prosecutions and outcomes for Money Laundering offences in 2016, provided by the Financial Investigations Unit in the Garda National Economic Crime Bureau, may differ from the number of prosecutions directed.

<sup>8</sup> This figure refers to files received by the Office of the DPP in 2016, the directions may have issued after 2016. In addition, each file may have more than one suspect.

legislative measure by which the State can deprive criminals of the proceeds of crime, particularly funds generated as a result of drug trafficking which is one of the main predicate offences related to money laundering. The Assets Seizing Unit liaises with An Garda Síochána, State Solicitors, the Criminal Assets Bureau and the Revenue Commissioners to ensure best practice in the area of confiscation and forfeiture of criminal assets.

**Table 2: Confiscation Orders 2016**

<b>Confiscation Orders under Section 9 of the 1994 Act</b>	
<b>Number of cases</b>	2
<b>Value of confiscation orders</b>	€201,045.57

#### **4.3.5 Criminal Assets Bureau**

The Criminal Assets Bureau (CAB) is a statutory body established under the Criminal Assets Bureau Act (1996). The Bureau has responsibility for implementing the 1996 Act and for the identification, tracing and seizure of the proceeds of criminal conduct. The Bureau works under the control and direction of the Chief Bureau Officer using powers under the Proceeds of Crime Act, Revenue and Social Welfare legislation for the purpose of targeting the proceeds of crime.

During 2016, the Criminal Assets Bureau obtained the following Orders over assets linked to individuals involved in crimes such as Drug Trafficking, Fraud, Theft and Smuggling (considered predicate offences for Money Laundering).

**Table 3 Proceeds of Crime Orders**

<b>Proceeds of Crime Act 1996-2005</b>	<b>Number of Orders</b>	<b>Value €</b>
Section 2	13	595K
Section 3	11	1.87M
Section 4 & 4A	11	1.412M

#### **4.3.6 International Cooperation**

The Financial Intelligence Unit (FIU) within An Garda Síochána exchanges information with Foreign FIUs via FIU.net and Egmont Secure Web. In 2016 there was 200 outgoing enquires (based on STR information) made by the FIU in Ireland to foreign FIUs and 338 incoming enquiries received by the FIU in Ireland from Foreign FIUs.

#### **4.3.7 Outreach**

The FIU works very closely with the Office of the Revenue Commissioners in delivering industry AML/CFT training to raise the awareness of emerging money laundering trends and typologies, and to provide feedback on the nature and quality of STR reporting.

Law enforcement authorities are committed to enhancing inter-agency cooperation to improve the detection, investigation and prosecution of financial and predicate offences. An Garda Síochána continues to cooperate with Non-Government Organisations, developing training programmes and seminars highlighting the complexities associated with financial investigations. In addition, An Garda Síochána cooperates with European and International law enforcement agencies such as Europol, Interpol and other national police forces in investigations.

## 5 Supervision

### 5.1 Supervising designated persons

Persons attempting to launder the proceeds of crime or raise finances to fund terrorist activity seek to exploit a wide range of businesses, services and products including deposit-taking institutions, non-bank financial institutions, civil society organisations, non-financial institutions and businesses where cash placement can be a feature. Given the diversity of the businesses and sectors of the economy that may be targeted, mitigating the risks posed by money laundering and terrorist financing requires the supervision of a wide range of business sectors by a number of different Competent Authorities with expertise in these different fields.

The following sets out the relevant sectors under regulation and the Competent Authorities with responsibilities in this regard.

**Table 4 Competent Authorities by Business Sector**

Business Sector	Competent Authority
<b>Any designated person who is not subject to supervision by another competent authority:</b> <ul style="list-style-type: none"><li>- Dealers in High Value Goods (HVGs)</li><li>- Trust or Company Service Providers (TCSPs)</li><li>- Notaries</li><li>- Tax Advisors</li><li>- External Accountants (not within the remit of designated accountancy bodies)</li><li>- Private Members' Clubs</li></ul>	Minister for Justice and Equality
<b>Credit and Financial Institutions</b>	Central Bank of Ireland
<b>Property Service Providers*</b> <i>*With effect from 1st September 2016</i>	Property Services Regulatory Authority
<b>Solicitors</b>	Law Society of Ireland
<b>Barristers</b>	General Council of the Bar of Ireland
<b>Accountants</b> <b>Trust or Company Service Providers</b> <b>(who are members of a designated accountancy body)</b>	Designated Accountancy Body

## **5.2 Reducing vulnerability to money laundering and terrorist financing**

The regulatory framework for mitigating the risks of money laundering and terrorist financing is primarily based on ensuring that businesses implement a number of 'defensive' measures to reduce their vulnerability to these criminal activities. These include:

- Conducting Customer Due Diligence (CDD) - specific and detailed provisions relating to the obligation to verify the identity of customers;
- The identification and the verification of the identity of beneficial owners;
- The submission of reports concerning suspicions of money laundering or terrorist financing to An Garda Síochána and to the Revenue Commissioners (as set out in the previous section);
- The development and maintenance of anti-money laundering policies and procedures by designated persons;
- The assessment of risk;
- The provision of staff training.

In order to ensure compliance with these measures, Competent Authorities have the power to:

- Conduct on-site inspections;
- Access records of the entity;
- Search, inspect and, if necessary, seize;
- Undertake communication and information initiatives;
- Apply sanctions.

## 5.3 The Minister for Justice and Equality

The anti-money laundering and counter-terrorist financing functions of the Minister for Justice and Equality as State Competent Authority are administered by the Anti-Money Laundering Compliance Unit (AMLCU) of the Department of Justice and Equality. The AMLCU was established in 2010 to carry out the supervision of designated persons falling outside the remit of the other Competent Authorities.

### 5.3.1 Risk rating

In 2016, the AMLCU implemented a risk-based approach to supervision. This means that, following inspections, entities/businesses are assigned one of four risk ratings (low, medium-low, medium-high or high) in accordance with a scoring template containing a range of questions. This rating, along with information on compliance levels within the different sectors, forms the basis for the prioritisation of inspections on an annual basis. The information gathered assists the AMLCU in developing greater insight into the nature of the risks of money laundering and terrorist financing in the sectors under its supervision.

### 5.3.2 Supervision

The following sectors fall within the remit of the AMLCU for compliance monitoring, namely:

- Trust or Company Service Providers (TCSPs),
- Persons trading in goods for cash values of €15,000 or more (High Value Goods Dealers (HVGDs)),
- Tax Advisers and External Accountants who are not already supervised by a competent authority and
- Private Members' Clubs (PMCs)<sup>9</sup> where gambling activities are carried on.
- Notaries.

### 5.3.3 Authorisations for Trust or Company Service Providers

Under the money laundering and terrorist financing legislation, entities operating as Trust or Company Service Providers (TCSPs) must make an application for authorisation to the AMLCU.

During 2016, the AMLCU received a total of 37 new applications from TCSPs, with approximately 50% of these on the TCSP register by the end of 2016. Before a TCSP

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<sup>9</sup> AMLCU registers Private Members' Clubs at which gambling activities are carried on, but only in respect of those gambling activities.

application is accepted and the entity is placed on the register, significant checks must be undertaken. At the end of the reporting period a total of 301 TCSPs were recorded as being authorised.

In 2016, no applications were refused by the AMLCU. However, 1 authorisation was granted with a condition. This condition was subsequently removed following engagement with the entity.

Furthermore, a total of 3 businesses had their authorisations, to carry out TCSP activities in Ireland, revoked. All of these revocations were made at the request of the businesses themselves, as they were no longer acting as TCSPs. In addition, several TCSPs advised the AMLCU that they would not be renewing their authorisations, as they had ceased TCSP operations.

#### **5.3.4 Registration of Private Members' Clubs**

During 2016 a total of 3 Private Members' Clubs (PMCs) registered with the AMLCU for the first time. In addition, several were removed from the register as they had ceased operations. At the end of the reporting period some 42 PMCs were recorded as being registered with the AMLCU.

**Table 5: Registration of Private Members Clubs**

Category	Number
First time registrations	3
Total number of registered PMCs	42

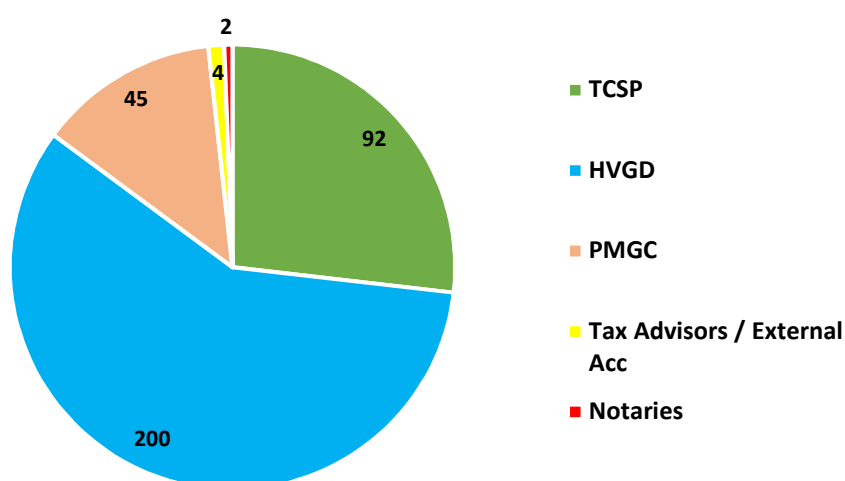
#### **5.3.5 Inspections**

In 2016, a total of 343 inspections were conducted across all sectors by authorised officers within the AMLCU. This represented some

- 200 HVGDs (predominantly, but not exclusively, in the motor industry) inspected,
- 92 inspections in the TCSP sector,
- 45 in the PMC sector,
- 4 Tax Advisors/External Accountants and
- 2 Notaries.

It should be noted that all PMCs were subject to inspection in 2016 reflecting the priority given to this sector for 2016.

**Figure 3 Compliance Inspections**



### 5.3.6 Compliance Rates

When compared to 2015, in 2016 the number of TCSPs and PMCs found to be fully compliant at inspection have increased by 12% and 9% respectively, while the number of fully compliant entities for the HVGD sector has decreased by 5%. This 5% decrease may be accounted for by the fact that in 2016, more emphasis was placed on the inspection of entities that had not previously been inspected by the AMLCU, and who, consequently, may not have been fully aware of their obligations prior to inspection.

**Table 6: Compliance Rates by Sector from 2014 to 2016**

	TCSPs			PMCs			HVGDs*		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
<b>Fully Compliant</b>	84%	69%	81%	65%	63%	72%	88%	78%	73%
<b>Partially Complaint</b>	16%	31%	18%	35%	37%	26%	12%	22%	26%
<b>Non-Complaint</b>	N/A	N/A	1%	N/A	N/A	2%	N/A	N/A	1%

*\*Includes Tax Advisors and External Accountants and in 2016 Notaries*

### 5.3.7 Directions

Directions<sup>10</sup> were issued by the AMLCU to 4 businesses<sup>11</sup> compelling them to engage in or cease a specific conduct so as to comply with the State's anti-money laundering and counter-terrorist financing legislation (see Section 2). The Competent Authority issues directions after repeated inspections show that a business has failed to comply with their obligations as set out in the 2010 and 2013 Acts. Failure to implement a Direction can result in prosecution. Each of the entities that received a direction in 2016 have since been subject to a repeat inspection. At each inspection, it was found that each entity has implemented satisfactory remedial actions therefore deeming them fully compliant.

### 5.3.8 Outreach and Engagement

The AMLCU focus is on ensuring that its supervisory efforts have a positive effect on compliance and it consistently promotes an awareness of AML/CFT obligations and ML/TF risks among sectors under its remit. Much of the awareness-raising work of the AMLCU is carried out through their Authorised Officers who engage with supervised entities at inspection. The Authorised Officers use this time to encourage interaction with the unit and to assist entities in their understanding of their AML/CFT obligations.

The AMLCU, with the assistance of the Anti-Money Laundering Counter-Terrorist Financing Policy Co-ordination Unit in the Department of Justice & Equality, conducted several outreach exercises in 2016 including:

- Briefing and information sessions hosted by the AMLCU on a range of issues including money laundering and terrorist financing risks, the FATF process, the importance of reporting suspicious transactions, etc. These sessions hosted speakers from the AMLCU, the Central Bank of Ireland, the Department of Finance, the Office of the Revenue Commissioners and An Garda Síochána.
- Mail shots to all sectors highlighting the availability of information on the AMLCU website, specifically new information in relation to new publications and the availability of a sanctions list and a list of high risk countries identified by the FATF.

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<sup>10</sup> Directions are issued under Section 71 of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 as amended by Section 14 of the Criminal Justice Act 2013.

<sup>11</sup> In 2016, 2 Directions were issued to HVGDs, 1 was issued to a TCSP and 1 was issued to a PMC.

## 5.4 Financial and Credit Institutions: The Central Bank of Ireland

The Central Bank of Ireland (the Central Bank) is the competent authority for the supervision of approximately 12,000 credit and financial institutions for compliance with legislation pertaining to anti-money laundering and counter-terrorist financing. It is also one of three competent authorities<sup>12</sup> for the administration of the EU Financial Sanctions Regime in the State. The Central Bank has a specialist Anti-Money Laundering Division that is dedicated to monitoring anti-money laundering and counter-terrorist financing compliance.

### 5.4.1 Supervision

The Central Bank of Ireland supervises credit and financial institutions for AML/CFT compliance on a risk-sensitive basis. It implements a graduated approach to AML/CFT risk-based supervision; this means that higher intensity supervisory measures (i.e. on-site inspections) are used to monitor firms that are deemed to be at higher risk. In 2016, the Central Bank conducted a total of 34 inspections and 40 risk evaluation questionnaires across a variety of institutions. This compares with 32 inspections and 14 risk evaluation questionnaires in 2015. Other supervisory measures include AML/CFT Review Meetings, Risk Evaluation Questionnaires and outreach activities (e.g. presentations and seminars). A total of 28 AML/CFT Review Meetings were conducted in 2016.

The frequency and intensity of AML/CFT supervisory engagement for an individual firm is dependent on its ML/TF risk rating. The Minimum Supervisory Engagement model is set out in the table below:

**Table 7 Supervisory Engagement Model**

	<b>High ML/TF Risk<sup>13</sup></b>	<b>Medium High ML/TF Risk</b>	<b>Medium Low ML/TF Risk</b>	<b>Low ML/TF Risk</b>
Inspection Cycle (Years)	3	5	Strategic, Spot Check & Responsive	Strategic, Spot Check & Responsive
AML/CFT review meetings (Years)	Annually	5	Strategic, Spot Check & Responsive	Strategic and as required
Risk Evaluation Questionnaires (Years)	Annually	2	3	Strategic, Spot Check & Responsive

<sup>12</sup> The other competent authorities for EU Restrictive Measures are the Department of Jobs, Enterprise and Innovation and the Department of Foreign Affairs and Trade.

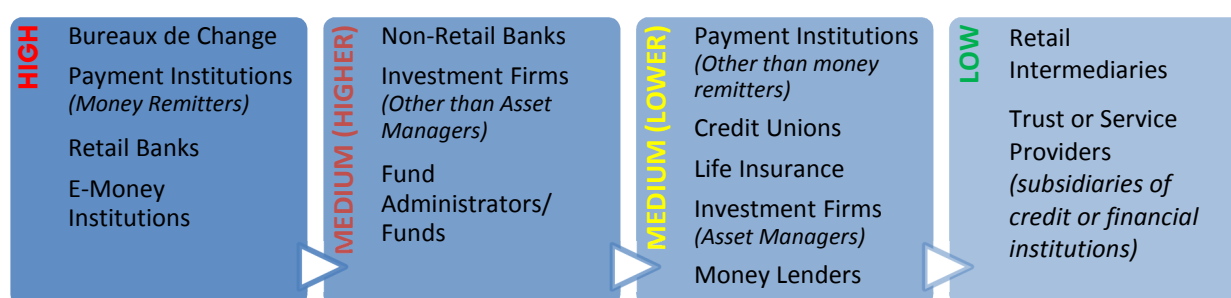
<sup>13</sup> Certain firms with the highest level of ML/TF risk associated with the nature, scale and complexity of their business model and/or operations have been assigned an “Ultra High” ML/TF risk rating. Such firms are subject to a more intensive/frequent level of supervisory engagement.

The Central Bank maintains a ML/TF Risk Assessment to identify and assess risk in the financial sector in Ireland from a supervisory perspective. This Risk Assessment is conducted on a sectoral and firm basis and contains:

- the ML/TF risks associated with the sector/firm's business model; and
- the overall quality of the AML/CFT control framework generally associated with the firms within the sector/ the firm itself.

The ML/TF Risk Assessment model assigns four ML/TF sectoral ratings - High; Medium (higher); Medium (lower); and Low risk. The overall risk rating for each sector is set out in the table below<sup>14</sup>.

#### Summary of overall ML/TF Risk Ratings per Financial Sector



#### 5.4.2 Enforcement

Where serious breaches of AML/CFT obligations are identified during an inspection, the Central Bank may take enforcement action under its administrative sanctions procedure.

In 2016, the Central Bank fined two institutions in respect of breaches of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010. Ulster Bank Ireland DAC was fined €3.325 million and Bray Credit Union Limited was fined €98,000.

#### 5.4.3 Administration of Financial Sanctions

On its website, the Central Bank publishes updates in respect of financial sanctions regulations at EU level and in respect of UN terrorist designations as they arise. The purpose of this exercise is to assist regulated financial services providers in monitoring customers and transactions against EU and UN sanctions lists.

In 2016, the Central Bank continued to send quarterly financial sanction email alerts to regulated financial service providers and the public via its automated email alert subscription system, notifying subscribers of significant changes to financial sanctions.

<sup>14</sup> It is important to note that an individual firm's ML/TF risk rating may differ from the risk rating applied to its sector, depending on the specific ML/TF risk associated with its business model and the quality of its AML/CFT control framework.

#### **5.4.4 Policy Engagement and Technical Assistance**

The Central Bank provides supervisory input into domestic and international AML/CFT policy developments. At domestic level, the Central Bank actively engages at the national AML steering committee and the Cross Departmental International Sanctions Committee. It provides technical assistance on the transposition of EU AML law and new domestic legislation. It also provided input into the National Risk Assessment, which was published in October 2016.

At an international level, the Central Bank has actively engaged in supervisory policy discussions at the European Supervisory Authorities (ESAs) inputting into a number of work streams at European level including:

- the ESAs Joint Opinion on Risk,
- ESAs draft Regulatory Technical Standards on Central Contact Points,
- ESAs Guidelines on Risk Based Approach to Supervision,
- ESA's Risk Factors Guidelines, and,
- the European Banking Authority's Task Force on Virtual Currencies.

Furthermore, the Central Bank has been actively engaged with the Financial Action Task Force ("FATF") process through its attendance at meetings in Paris and its contribution to the Mutual Evaluation Report on Ireland.

#### **5.4.5 Outreach and Engagement in 2016**

During 2016, the Central Bank participated in 15 speaking events to the private sector held in various locations around the country.

The purpose of these speaking events is to ensure that financial institutions are made aware of their obligations and have a clear understanding of the ML/TF risks associated with their business. The Central Bank also focuses on ensuring that credit and financial institutions are aware of the importance of adopting a risk-based approach when applying preventive measures. Furthermore, it uses its outreach and engagement events to highlight patterns of issues/gaps identified during the course of the inspection process and to communicate regulatory expectations around AML/CFT compliance.

The Central Bank provides guidance and feedback on AML/CFT to industry through sectoral reports and thematic bulletins. These publications provide credit and financial institutions with guidance as to the Central Bank's expectations in respect of AML/CFT compliance. In 2016, the Central Bank issued the following publications:

- a Report on Anti-Money Laundering/Countering the Financing of Terrorism and Financial Sanctions Compliance in the Life Insurance Sector
- a special AML/CFT edition of the Intermediary Times, and
- a thematic bulletin on Third Party Reliance.

The Central Bank also published updated guidance on its website on AML/CFT obligations and risk-related materials.

## **5.5 Real Estate: Property Services Regulatory Authority**

The Property Services Regulatory Authority (PSRA) was established under the Property Services (Regulation) Act 2011 on April 3<sup>rd</sup> 2012. The main function of the Authority is to control and regulate property service providers (i.e. Auctioneers/Estate Agents, Letting Agents and Management Agents). This includes the licensing of all such service providers, the establishment of a complaints investigation and redress system for consumers, the setting and enforcement of standards in the provision of property services, the administration of client accounts, the establishment and maintenance of a compensation fund and the creation of three Public Registers.

In September 2016, the Minister for Justice and Equality prescribed the PSRA as the State competent authority for property service providers for the purposes of Part 4 of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010. As the prescribed Competent Authority, the PSRA is tasked with monitoring property service providers who are described as “designated persons” and taking measures that are reasonably necessary for securing compliance by property service providers with the requirements of Part 4 of the 2010 Act. Upon being prescribed as the Competent Authority, the PSRA created and provided guidance for the sector on their requirements under the Criminal Justice (Money Laundering and Terrorist Financing) Act, 2010. In addition to the guidance provided, the Authority, as part of its audit compliance remit included an audit of compliance by property service providers with money laundering legislation.

### **5.5.1 Oversight**

There are approximately 1,800 property service employers (businesses), which are subject to audit compliance under the Property Services (Regulation) Act, 2011. Since the Authority was prescribed as the Competent Authority, approximately 400 money laundering compliance audits have been commenced. The Authority plans to undertake compliance audits of all employers over the coming number of years.

As part of its oversight remit, the Authority completed its draft scheme of Continuous Professional Development (CPD) for the sector. CPD training will be compulsory for all licensees. Included in the draft scheme is an annual requirement to complete a module on money laundering. This requirement will further educate and inform licensees of their legal obligations under the Criminal Justice (Money Laundering and Terrorist Financing) Act, 2010 and is expected to increase compliance levels within the sector.

## 5.6 Charities Regulatory Authority

### 5.6.1 Background

The Charities Regulator is Ireland's national statutory regulator for charitable organisations. The Charities Regulator is an independent authority and was established on 16<sup>th</sup> October 2014 under the Charities Act, 2009.

The key functions of the Regulator are to establish and maintain a public register of charitable organisations operating in Ireland and ensure their compliance with the Charities Acts.

The Regulator also engages in the provision of services to charities including the authorising of appointments of new charitable trustees, the framing of schemes of incorporation, authorisation of Cy-Près schemes and disposition of lands held upon charitable trusts.

Under Part IV of the Charities Act, 2009 the Regulator has the power to conduct statutory investigations into any organisation believed to be non-compliant with the Charities Acts.

### 5.6.2 Impact of FATF

The FATF's Recommendation 8 addresses the need to ensure that 'Not for Profit' organisations (NPO's) are not misused by terrorist organisations. It recommends that any measures taken to protect charities occur in a manner that does not disrupt or discourage legitimate charitable activities. Rather, such measures should promote accountability and engender greater confidence in donors and the general public, that charitable funds and services reach intended legitimate beneficiaries.

Throughout 2016, the Charities Regulator worked with the Department of Justice and Equality and the Department of Finance, in addition to key charity stakeholders, to develop actions and evidence, which supported Ireland in demonstrating compliance with the FATF Recommendations.

In 2016, as part of their approach to FATF, the Charities Regulator met with:

- Regulators from the UK & Europe
- Key stakeholders from Charities in Ireland

In addition to providing outreach to charities who could be vulnerable to abuse.

The Regulator and key stakeholders from Charities in Ireland also met with the FATF evaluation team to give them an insight into the work of Charities and how they are regulated in Ireland.

## 5.7 Solicitors: The Law Society of Ireland

The Law Society of Ireland (the Law Society) is the professional body for solicitors in Ireland. In addition to the statutory functions it exercises under the Solicitors Acts, 1954 to 2008, it is also the competent authority for the monitoring of solicitors for the purposes of compliance with Ireland's anti-money laundering and counter-terrorist financing laws.

### 5.7.1 Supervision

The Law Society is the competent authority for the monitoring of solicitors for the purposes of compliance with the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 and 2013.

Approximately 2,200 firms of solicitors are required to file annual accountants' reports with the Law Society. In the course of attendance at a solicitor's firm for the purpose of investigating whether there has been due compliance with the Solicitors Accounts Regulations 2014, the Law Society's investigating accountant is required to ascertain whether the firm has established appropriate policies and procedures in order to prevent and detect activities related to money laundering and terrorist financing. The Law Society uses a risk-based system when choosing firms for inspection in addition to conducting a number of random inspections.

Firms are chosen for inspection on the basis of pre-determined risk factors which include:

- complaints by the public,
- previous investigation experience,
- the contents of the firm's annual reporting accountant's report,
- delays in complying with filing obligations in relation to accountants reports and practising certificates,
- professional indemnity insurance issues,
- judgement debts,
- media reports, and
- notifications of concern by government authorities including An Garda Síochána and the Revenue Commissioners

Where a solicitor fails to implement procedures to combat money laundering or terrorist financing a report is submitted to the Regulation of Practice Committee. This Committee will require the solicitor to provide it with a copy of their new written Anti-Money Laundering/Counter Terrorist Financing (AML/CTF) procedures and evidence that those procedures have been communicated to all staff and will be implemented in full.

Where it is suspected that a solicitor has committed a substantive offence of money laundering or terrorist financing or failed to fulfil reporting obligations, the matter is referred to the Money Laundering Reporting Committee of the Law Society for appropriate action.

In 2016, a total of 330 firms were subject to inspection by the Law Society for anti-money laundering compliance purposes. Of these 91% had written policies and procedures in place. The remaining 9% of firms were found not to have formal written AML/CTF procedures in place. These firms, were directed to the online Guidance Notes and through individual guidance by telephone and email. They have either provided the Law Society with a copy of new AML/CTF procedures for their firm or provided satisfactory responses confirming future compliance.

During 2016 the Law Society submitted 10 reports of money laundering suspicions to An Garda Síochána and to the Revenue Commissioners<sup>15</sup> under Section 63 of the 2010 Act.

### **5.7.2 Sanctions**

The experience of the Law Society to date has been that the failure to implement AML/CTF procedures tends to reflect a failure of the solicitor to implement satisfactory procedures to ensure compliance with the provisions of the Solicitors Acts, in particular the provisions of the Solicitors Accounts Regulations. When a solicitor fails to implement satisfactory procedures to ensure compliance with the Solicitors Accounts Regulations and with the solicitors' AML/CTF obligations, the Society will re-investigate the firm until such time as it appears that satisfactory procedures have been put in place. If the solicitor does not implement satisfactory procedures, the matter may be referred to the Solicitors Disciplinary Tribunal.

If it comes to the attention of the Law Society that a solicitor has been engaged in dishonesty, and this could include activity suspected to be related to money laundering or terrorist financing, there are a number of sanctions that can be applied, including:

- An application to the President of the High Court for an Order immediately suspending that solicitor from practice.
- An application for an Order that no bank shall make any payment from any bank account held by that solicitor or under that solicitor's control.
- An application for an Order that any documents held by the solicitor be immediately delivered to the Law Society or its nominee.

### **5.7.3 Developments**

The Law Society's recent regulations – 'CPD Regulations 2015' (S.I. No. 480/2015) came into operation on 1 January 2016. These regulations require firms to appoint an AML Compliance Partner (failure to do so will mean that each partner in the firm will be designated as an AML Compliance Partner). The AML Compliance Partner must annually

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<sup>15</sup> As a Competent Authority, the Law Society provides reports of suspicions of money laundering/terrorist financing under section 63 of the 2010 Act.

undertake a minimum of 3 hours training in regulatory matters, of which at least 2 hours shall be accounting and anti-money laundering compliance.

Additionally, the Law Society introduced a new statutory instrument (S.I. No. 533/2016 which came into operation on 1<sup>st</sup> November 2016), regarding solicitors' statutory AML/CTF obligations. The purpose of this S.I, is to assist solicitors in understanding and clarifying their existing obligations as "designated persons" for the purposes of the 2010 and 2013 Acts, and to set out how the Law Society monitors compliance with these obligations.

#### **5.7.4 Outreach and Engagement**

In addition to supervision, the Law Society also engages in a range of other anti-money laundering and terrorist financing activities including:

- Awareness raising via a dedicated AML web resource hub, eZine articles, monthly Gazette and email alerts about emerging money laundering typologies/red flags and also international guidance and assessments of sector-specific risks.
- The development of AML Guidance notes available through the AML resource hub – these are comprehensive notes covering all AML/CTF obligations and ML/TF risks, which follow a question and answer format for ease of reference. They also contain a dedicated chapter providing a non-exhaustive list of indicators of potential suspicious circumstances.
- Recommending to solicitors the publication 'A Lawyer's Guide to Detecting and Preventing Money Laundering', an October 2014 publication to which the Law Society made a significant contribution.
- Tailored guidance via an anti-money laundering helpline. This helpline (manned by four policy executives) receives queries from solicitors about AML on a daily basis and in response it provides real-time specific guidance. Furthermore, intelligence obtained from queries received is used to monitor and develop guidance on new and emerging risks, which are then circulated to solicitors to raise awareness and prevent money laundering on a larger scale.
- Education – trainee solicitors attending qualifying courses in the Law Society receive comprehensive AML training. AML modules also feature on the Law Society's Diploma courses and finance courses.

## 5.8 Professional Accountancy Bodies

In Ireland, 9 professional accountancy bodies act as the Competent Authority for anti-money laundering and counter-terrorist financing compliance in respect of their members and for Trust or Company Service Providers where all persons (Principals, Directors etc.) are members of an accountancy body.

The 9 accountancy bodies are:

- Association of Chartered Certified Accountants (ACCA)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- The Chartered Institute of Management Accountants (CIMA)
- Association of International Accountants (AIA)
- The Institute of Certified Public Accountants (CPA)
- Chartered Accountants Ireland (CAI)
- The Chartered Institute of Public Finance and Accountancy (CIPFA)
- Institute of Chartered Accountants of Scotland (ICAS)
- Institute of Incorporated Public Accountants (IIPA)

### 5.8.1 Supervision

Anti-money laundering and counter-terrorist financing compliance checks performed by Accountancy Bodies are normally carried out as part of inspections examining overall adherence to required professional standards. Inspections are conducted on the basis of a combination of desk based reviews of annual reports and on-site visits. Recent years have seen an increased focus on adapting a risk-based approach to monitoring, whereby information obtained via annual returns is used to help develop a better understanding of risk in the sector. This approach allows for higher risk areas to receive greater attention. The quantity of inspections conducted by Accountancy Bodies varies according to the number of designated persons under the supervision of each Body, with some conducting desk based reviews only. In the majority of cases, it was found that designated persons had fulfilled their obligations vis-à-vis anti-money laundering and counter-terrorist financing requirements. Where breaches did occur these related to:

- A lack of sufficient training and/or expertise regarding anti-money laundering and counter-terrorist financing obligations.
- Insufficient records of client identification and/or CDD Procedures.
- Insufficient CDD processes.
- Absence of formal written policies and procedures.
- A lack of awareness of matters concerning tipping off and the period of time for which records can be retained.
- In some cases, a lack of awareness of risk/need for risk assessment.

Penalties which can be imposed by Accountancy Bodies range from firms undertaking to update their procedures, to more punitive penalties such as the payment of a regulatory penalty/compensation to the complainant, or exclusion from membership, depending on nature and scale of non-compliance. In 2016, two accountancy bodies indicated that they imposed penalties on entities under their supervision. These included fines, reprimand, follow up review and publication of the findings of a disciplinary tribunal in a sectoral journal.

### **5.8.2 Outreach and Awareness**

Accountancy Bodies offer a range of services focused on training and guidance to help designated persons better meet their anti-money laundering and counter-terrorist financing obligations. While guidance varies depending on the body in question, such assistance can include provision of rulebooks containing AML guidance, classroom based training on AML issues, regulatory bulletins, technical helplines and various online resources.

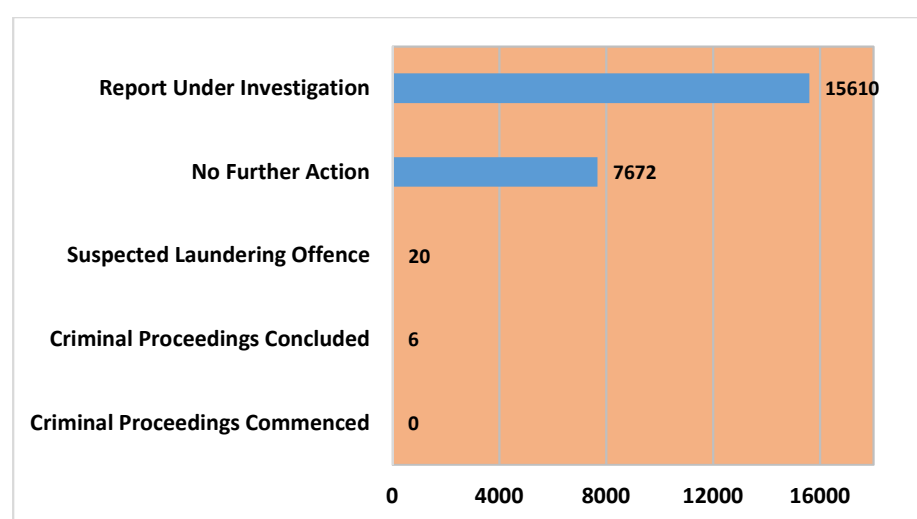
Most of the accountancy bodies indicated that they participate or attend various accountancy forums, committees and working groups, which enable them to engage with other supervisors in the sector. These groups are comprised of supervisors in Ireland and the UK and many of the accountancy bodies are members of Accountancy Europe, which enables contact with supervisors in the sector across the whole of the EU. In addition, many interact with international counterparts through various other avenues. Furthermore, there is an Irish Anti-Money Laundering Accountancy Group, comprised of the designated accountancy bodies within the sector, which meets quarterly.

## Appendix 1: Outcome of reported suspicions received in 2016

Set out hereunder is a summary of the status<sup>16</sup> of STRs received by the Financial Intelligence Unit in An Garda Síochána during 2016.

The majority of reports (15,610<sup>17</sup>) received were either being analysed or under investigation at the end of 2016. No further action was required in 7,672 cases, however, a number of these cases may still be examined by the Revenue Commissioners in relation to tax offences. Because of STRs received in 2016 a total of 20 cases involving suspected laundering offences have been detected. Criminal proceedings were concluded in 6 cases commenced as a result of STRs received during 2016.

**Figure 4 Outcome of reported Suspicious Transaction Reports**



The Revenue Commissioners reported that in excess of 80% of reports it received in 2016 concerned tax related offences with information generated on foot of these reports having resulted in a cumulative tax yield of €6,370,221.

<sup>16</sup> This summary reflects the status as of May 10<sup>th</sup> 2017 of all STRs received in 2016 (total 23,308)

<sup>17</sup> While it is stated that some 15,610 were still under investigation it should be noted that this does not mean that all of these reports are under active investigation. The majority of these reports (15,610) would still be in the analytical phase and not under investigation but may fall under “under investigation” or “No further action” heading at the end of the analytical phase.

## **Appendix 2: Reported suspicions: The Financial Sector and Designated Non-Financial Businesses and Professions**

An examination of reported suspicions received by An Garda Síochána and the Revenue Commissioners clearly shows a significant disparity between the Financial Sector, which has a very high rate of reporting suspicions, and Designated Non-Financial Businesses and Professions (DNFBPs), which report relatively few suspicions. It is noteworthy that these are two very different sectors. The financial sector comprises institutions with employees, while for many of those in the DNFBP sector, the business is their livelihood and this can play a significant factor in the decision to submit an STR. This is a cause for concern given that large cash transactions, which pose difficulties in terms of traceability, can be commonplace in some parts of the DNFBP sector such as High Value Goods Dealers, the Property Services Sector and the Gaming Sector for example.

Difficulties faced by some sections of the DNFBP sector in reporting suspicions can include:

- A lack of anti-money laundering/counter-terrorist financing resources and expertise owing to the small scale and diversity of the majority of businesses in the DNFBP sector.
- The high turnover rate of employees in DNFBPs with anti-money laundering/counter financing compliance knowledge.
- The often-subjective nature of determining whether a transaction is in fact suspicious.
- The pressures of operating a profitable business while trying to meet compliance obligations.
- Concerns individuals may have regarding possible repercussions as a consequence of alerting the authorities to potential criminal activity.