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The FATF evaluates Ireland's AML/CTF measures

The Financial Action Task Force ("**FATF**") has published its Fourth Mutual Evaluation Report on Ireland's anti-money laundering and counter-terrorist financing system ("**AML/CTF**"), based on its 2012 Recommendations. It has found that Ireland has a sound and substantially effective regime to tackle money laundering ("**ML**") and terrorist financing ("**TF**"), but that it could to more to obtain ML and TF convictions.

Who is the FATF and what does it do?

The FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system against ML and TF.

Ireland is one of the FATF's 37 members and, as such, is subject to periodic peer reviews. The peer reviews assess a member's compliance with the FATF's 40 Recommendations and also its effectiveness at implementing those Recommendations in practice. A member's effectiveness is measured against 11 Immediate Outcomes and at the conclusion of the assessment process a Mutual Evaluation Report is published.

Findings - at a glance

Ireland was found to be compliant with 10 of the Recommendations and non-compliant with 1 of them. It was rated as either largely compliant or partially compliant with the remainder of the Recommendations.

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The non-compliant rating concerned the absence of a legislative requirement to mandate enhanced forms of customer due diligence to be carried out, where the FATF calls for its members to apply such measures. The FATF noted that under the Financial Services Industry Guidelines, financial institutions are expected to include geographic risk as one of the factors to be applied when determining the overall risk of ML and TF but that these Guidelines were not legally binding. It recommended that Ireland should amend its AML/CTF legislation to address that deficiency.

In terms of the Immediate Outcomes (which measure effectiveness), Ireland was found to be substantially complaint with 5 of them and moderately compliant with 6 of them. It did not achieve the top rating of "high" for any of them.

A snapshot of some of the findings and recommendations in the Report are set out below.

ML/TF Convictions

The FATF found that given Ireland's position as an international centre, there was a lack of evidence of prosecution of complex ML schemes and facilitators. It noted that while Ireland had secured 22 ML convictions where the offender had pleaded guilty, there were no convictions for ML after trial (only two acquittals). It also noted that the sanctions were low post conviction. It observed that the longest sentence imposed for ML in Ireland to date was seven years, of which three years were suspended. This is despite the fact that the maximum sentence for a person convicted of ML is 14 years imprisonment, or a fine, or both.

The FATF also recommended that Ireland should more actively pursue TF prosecution. It noted that to date no prosecutions of TF offences had occurred, either as a stand-alone prosecution or as part of a counter-terrorism prosecution.

Suspicious Transaction Reports

The FATF commented positively on the increase in suspicious transaction reports ("**STRs**") being made to the Gardaí and the Revenue Commissioners. However it noted that the number of STRs for the funds sector appeared low, notwithstanding that there are also some STRs from other relevant parties such as investment managers, and that a reliance on third party customer due diligence controls could also have resulted in lowering this number.

The FATF recommended that Ireland should consider whether the level and quality of STR reporting for the funds sector and for credit unions are commensurate with the risks. The FATF also noted that it would be beneficial for the authorities to provide more feedback to reporting entities on STRs, including on typologies, red flag indicators and the quality of STRs.

Supervision

The FATF found that the Central Bank of Ireland (the "**Central Bank**") has a good understanding of the ML and TF risks present in the sectors it supervises. It observed that the number of staff in the

Central Bank's AML Division had increased substantially in the last number of years, from 18 staff in 2014 to 34 in November 2016. It noted that during the period 2013-2015, 84 on-site inspections and 26 desk-top reviews were carried out. During this period 11 cases were referred to the Central Bank's Enforcement Division for further investigation and to consider whether financial penalties should be imposed.

The FATF found licensing controls to be generally robust in the financial sector, noting that the Central Bank conducts a variety of controls for individuals proposed to perform pre-approval control functions, before an authorisation is granted. However it noted that criminal background checks are not performed on a systemic basis for non-Irish applicants to Irish financial institutions and recommended that this area could be strengthened.

Other

The FATF recommended that Ireland should document a clear national AML/CTF policy. It also found that Ireland could improve efforts to identify, assess and understand the vulnerabilities of corporate structures and legal arrangements both for ML and TF, particularly in relation to international threats.

Contact information

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