



An Roinn Dlí agus Cirt
agus Comhionannais
Department of Justice
and Equality

Annual Report on Money Laundering and Terrorist Financing

2018

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1 Introduction

This Report has been prepared in accordance with 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 (the 4th Directive). The purpose of this annual report is to provide details on Ireland's response to Money Laundering and Terrorist Financing in 2018 taking into account: the legislative regime; international dimensions; the regulatory framework; enforcement; and supervisory authorities.

1.1 Money Laundering and Terrorist Financing

Money laundering and terrorist financing are financial crimes resulting in economic effects on a global scale. The Department of Finance¹, who lead policy formulation on money laundering define money laundering and terrorist financing as follows:

Money laundering is the integration of the proceeds of illegal activity into the legitimate economy and financial sector, with the aim of concealing their criminal origin by making the funds appear otherwise legitimate to others, i.e. the converting of otherwise “dirty” money into “clean” money. By concealing the criminal origin of money, criminals can derive significant personal benefit and can fund further criminality.

Terrorist financing is the collection of funds for distribution to finance domestic and international terrorism. Terrorist financing and money laundering share similarities in the methods used to collect, store and distribute funds, however, in addition to the proceeds of illegal activity, legitimate funds, charities and self-financing may also be used to finance terrorism. The countering of both terrorism and the financing of terrorism is a key priority in ensuring Ireland’s security.

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 lack of transparency in the execution of financial transactions.

¹ National Risk Assessment 2019 - Money laundering and Terrorist Financing, Department of Finance

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.

In 2018 the legislative framework was strengthened by the enactment of the Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Act 2018. The 2018 Act amended the 2010 and 2013 Acts to bring Ireland's laws into compliance with requirements under the 4th EU Anti Money Laundering Directive. It introduced, *inter alia*,

- obligations on financial institutions and other businesses relating to anti-money laundering, such as carrying out customer due diligence and reporting suspicious transactions;
- enhanced provisions relating to the powers of the Garda Financial Intelligence Unit; and
- extension of provisions requiring enhanced due diligence to be applied to politically exposed persons (PEPs) to Irish PEPs.

The Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010-2018 as amended cover the following 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 or company service providers;
- property service providers;
- persons who effectively direct a private members' club at which gambling activities are carried on; and

- anyone who trades in goods in respect of transactions involving payments to the person in cash of a total of at least €10,000² 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 competent authority to oversee the various sectors. These include State Competent Authorities such as the Minister for Justice and Equality (the Anti-Money Laundering Compliance Unit), the Property Services Regulatory Authority (PSRA) and the Central Bank of Ireland alongside other self-regulating bodies (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 and inspections. In addition to complying with the requirements set down by 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.

2.2 EU Legislative Developments

On 30 May 2018 the European Parliament adopted Directive EU 2018/849, the 5th EU Anti-Money Laundering Directive (5AMLD). This Directive extends the rules on the use of virtual currencies, clarifies the requirements for the beneficial ownership register introduced by 4AMLD, places stricter requirements on the use of e-money products, and further clarifies the minimum enhanced due diligence protocol when conducting financial transactions with persons in high-risk third countries. Work on transposition of this directive is underway with projected completion by early 2020.

² This was reduced from €15,000 to €10,000 in 2018

3 International Environment

3.1 Financial Action Task Force

The Financial Action Task Force (FATF) is an independent intergovernmental organisation established by the G-7 in 1989 with a membership of some 37 countries and 9 FATF-Style Regional Bodies (FSRBs). It leads the international fight against money laundering and terrorist financing, setting international standards and promoting 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 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 seek to ensure a level playing field. First issued in 1990, the FATF Recommendations are regularly revised 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 money-laundering and terrorist-financing.

The FATF is currently undertaking its 4th round of country evaluations. Ireland was most recently assessed in 2016. The outcome of this assessment - the Mutual Evaluation Report (MER) on Ireland, was published in September 2017. A Plenary was held in October 2018 in Paris at which Ireland's first Enhanced Follow up Report was considered. The Summary of Ireland's 2017 MER ratings is below:

Effectiveness ratings	
High level of effectiveness	The Immediate Outcome is achieved to a very large extent. Minor improvements needed.
Substantial level of effectiveness	The Immediate Outcome is achieved to a large extent. Moderate improvements needed.
Moderate level of effectiveness	The Immediate Outcome is achieved to some extent. Major improvements needed.
Low level of effectiveness	The Immediate Outcome is not achieved or achieved to a negligible extent. Fundamental improvements needed.

Technical compliance ratings		
Compliant	C	There are no shortcomings.
Largely compliant	LC	There are only minor shortcomings.
Partially compliant	PC	There are moderate shortcomings.
Non-compliant	NC	There are major shortcomings.

Effectiveness & Technical Compliance Ratings

Effectiveness Ratings (High, Substantial, Moderate, Low)

I.O.1 - Risk, policy and coordination	I.O.2 - International cooperation	I.O.3 - Supervision	I.O.4 - Preventive measures	I.O.5 - Legal persons and arrangements	I.O.6 - Financial intelligence
Substantial	Substantial	Substantial	Moderate	Moderate	Substantial
I.O.7 - ML investigation & prosecution	I.O.8 - Confiscation	I.O.9 - TF investigation & prosecution	I.O.10 - TF preventive measures & financial sanctions	I.O.11 - PF financial sanctions	
Moderate	Moderate	Moderate	Moderate	Substantial	
R.1 - assessing risk & applying risk-based approach	R.2 - national cooperation and coordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
LC	LC	C	C	LC	PC
R.7 -targeted financial sanctions - proliferation	R.8 -non-profit organisations	R.9 - financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
PC	PC	C	LC	LC	PC
R.13 - Correspondent banking	R.14 - Money or value transfer services	R.15 -New technologies	R.16 -Wire transfers	R.17 - Reliance on third parties	R.18 - Internal controls and foreign branches and subsidiaries
PC	LC	PC	PC	LC	PC
R.19 - Higher-risk countries	R.20 - Reporting of suspicious transactions	R.21 - Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 - DNFBPs: Other measures	R.24 - Transparency & BO of legal persons
NC	C	C	PC	LC	LC
R.25 - Transparency & BO of legal arrangements	R.26 - Regulation and supervision of financial institutions	R.27 - Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 - Financial intelligence units	R.30 - Responsibilities of law enforcement and investigative authorities
PC	LC	C	LC	PC	C
R.31 - Powers of law enforcement and investigative authorities	R.32 - Cash couriers	R.33 - Statistics	R.34 - Guidance and feedback	R.35 - Sanctions	R.36 - International instruments
LC	PC	PC	LC	LC	C
R.37 - Mutual legal assistance	R.38 - Mutual legal assistance: freezing and confiscation	R.39 - Extradition	R.40 - Other forms of international cooperation		
C	LC	C	LC		

4 Combating Money Laundering and Terrorist Financing

4.1 Threats

4.1.1 MONEY LAUNDERING

The Department of Finance, in its risk assessment outlines money laundering as a threat. They also point to the criminal activities that may generate illicit proceedings associated with money laundering. These can include the following:

- 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 FINANCIAL INTELLIGENCE UNIT

The Financial Intelligence Unit (FIU) in Ireland is a Police-based FIU and is located within the Garda National Economic Crime Bureau (GNECB), Special Crime Operations.

The recent changes in the Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Act 2018 has put Ireland's FIU on a legislative footing. It can carry out "all the functions of an EU Financial Intelligence Unit (FIU)" and has powers to request information from all designated persons, competent authorities, Office of the Revenue Commissioners & Minister for Employment Affairs and Social Protection. The legislation provides for the Commissioner of An Garda Síochána to appoint staff members as FIU members, thus safeguarding its role.

This 2018 revised Act transposes the provisions of Articles 52 & 53 of 4AMLD to further enhance international cooperation between EU FIUs. This legislation provides that Ireland's FIU now has the powers to carry out all its functions independently and autonomously of An Garda Síochána, thereby enhancing compliance with FATF Recommendation 29.

The FIU is the central reception point for the receipt, analysis and dissemination of Suspicious Transaction Reports (STRs) pursuant to Section 42 and reports pursuant to Section 63 of the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 to 2018. Such reports relate to suspicions of money laundering and terrorist financing.

There are a total of eleven Garda officers (analysts) allocated to the FIU with administrative support from six clerical officers. Other members of An Garda Síochána in specialist national units and throughout the Garda Regions also conduct money laundering/terrorist financing enquiries as part of their investigations into profit-generating crimes & domestic/international terrorism. The FIU IT software solution designed by the UNODC (United Nations Office on Drugs and Crime) is called GoAML. It allows reporting entities (Designated persons and National Competent Authorities) to submit STRs and other related reports electronically and provides for reporting entities and other stakeholders to communicate securely with the FIU via a MessageBoard. GoAML enhances the FIU's ability to conduct operational and strategic analysis.

The FIU is assisted by two in-house Money Laundering Investigation Units (MLIUs) who conduct complex money laundering investigations and assist other worldwide law enforcement agencies conducting similar investigations.

The Terrorist Financing Intelligence Unit (TFIU) was established within the FIU in 2017 to deal with all STRs and enquiries with suspected links to terrorist financing and related matters. The Special Detective Unit (SDU) investigates both domestic and international terrorism. The Terrorist Financing Investigation Office (TFIO) has also been set up within

SDU to specifically conduct investigations into suspected terrorist financing. The TFIO works closely with the TFIU and Security & Intelligence Section, Garda Headquarters.

4.2.2 REPORTING SUSPICIOUS TRANSACTIONS

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 Act.

4.2.3 AN OVERVIEW OF SUSPICIOUS TRANSACTION REPORTS (STRS) RECEIVED IN 2018

In 2018, An Garda Síochána received a total of 23,939 STRs while the Revenue Commissioners received 23,442 - a difference of 497 reports. This difference is accounted for by the fact that not all reports of suspicions have been sent to both enforcement bodies, despite the requirement to do so.

The quality of the content of STRs submitted since June 2018 has improved following the acquisition of GoAML. It is now mandatory for all reporting entities to specify what the potential criminal indicator is for each STR. This assists in the prioritisation process. While the level of reporting from some sectors, especially the Designated Non-Financial Businesses & Professions (DNFBPs) is low, it appears that there is increased awareness, especially following the compilation of the National Risk Assessment (NRA) and FATF inspection.

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) accounted for 92% (22,044) of reports. Of these Credit Institutions, Banks alone accounted for 61% (14,544) with Credit Unions accounting for 23% (5,489) and Payment Institutions accounting for 8% (2,017). Reports received from other designated persons accounted for the remaining 8% (2,011)³.

Prior to the acquisition of GoAML, STRs were categorised under a number of headings and feedback was provided to reporting entities on a periodic basis as to whether an STR was still under investigation, criminal proceedings commenced, criminal proceedings concluded, etc. GoAML does not provide for such categorisation. All STRs are analysed. Following preliminary analysis, a graduated response is applied to STRs where a criminal indicator(s) exists. This culminates in the initiation of a full criminal investigation in some cases.

³ Please note that percentages have been rounded to the closest whole number.

The Revenue Commissioners reported that in excess of 80% of reports it received in 2018 concerned tax related offences with information generated on foot of these reports having resulted in a cumulative tax yield of €4.7m.

While reports from 'others' i.e. other designated persons accounted for a relatively small proportion of the reported suspicions received in 2018, 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.

4.2.4 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.

4.2.5 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.

4.2.6 INTERNATIONAL COOPERATION

The Financial Intelligence Unit (FIU) within An Garda Síochána exchanges information with Foreign FIUs via FIU.net and Egmont Secure Web. In 2018 there were 270 outgoing enquiries (based on STR information) made by the FIU in Ireland to foreign FIUs and 714 incoming enquiries received by the FIU in Ireland from Foreign FIUs.

4.2.7 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. The recent increase in the number of STRs reported to the FIU and Office of the Revenue Commissioners, in particular due to regulatory interventions and sanctioning, has focused the emphasis of industry training on improving quality of STRs reported by designated

persons. FIU and MLIU members continue to actively engage with their European and worldwide counterparts in the fight against money laundering and terrorist financing.

The implementation of GoAML by the FIU has provided for secure communications between the FIU and reporting entities through the MessageBoard. The MessageBoard can be used to communicate trends, typologies, alerts, etc. The FIU delivered training in 2018 within An Garda Síochána and to reporting entities and other stakeholders, including the AMLCU in the Department of Justice and Equality.

Members within the FIU and MLIU teams attended a number of training courses in Ireland and internationally to enhance their AML/CTF knowledge. Members of the TFIO have raised awareness amongst their colleagues investigating domestic and international terrorism of the importance of looking at the financing of such activities.

4.3 Prosecuting and convicting offences⁴

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 2018, An Garda Síochána charged 73 persons with 284 money laundering offences. One person was convicted of two terrorist financing offences in 2018, having been charged in 2017.

4.3.2 CONVICTIONS

In 2018, 28 persons were convicted for 130 money laundering offences which is a significant increase on the 2017 figure of 11 persons convicted of 24 money laundering offences. It should be noted that some of these convictions refer to cases from charges in previous years.

4.3.3 CRIMINAL ASSETS BUREAU

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

⁴ 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 2018, provided by the Financial Investigations Unit in the Garda National Economic Crime Bureau, may differ from the number of prosecutions directed.

The objectives of the Bureau are set out in the Act and can be summarised as follows:

1. The identification of a person's or persons' assets, wherever situated, which derive or are suspected to derive, directly or indirectly, from criminal activity.
2. The taking of appropriate action under the law to deprive or to deny those persons of the assets or the benefit of such assets, in whole or in part, as may be appropriate.
3. The pursuit of any investigation or the doing of any other preparatory work in relation to any proceedings arising from the objectives mentioned in paragraphs (1) and (2).

The Criminal Assets Bureau is a multi-agency body consisting of police officers, customs officers, tax officers and social welfare inspectors. In addition, the bureau has its own Bureau Legal Officer and forensic accountants attached to The Bureau Analysis Unit.

In 2018 the Criminal Assets Bureau took the following actions under The Proceeds of Crime Act 1996 over assets linked to individuals involved in crimes such as Drug Trafficking, Fraud, Theft and Smuggling (considered predicate offences for Money Laundering).

Table 1 Proceeds of Crime Orders

Proceeds of Crime Act 1996-2005	Number of Orders	Value
Section 2	114	€8.2m
Section 3	114	€6.2m

Eighty five accounts were restrained pursuant to orders obtained under Section 17 of The Criminal Justice Money Laundering and Terrorist Financing Acts.

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 designated persons and the Competent Authorities with supervisory responsibilities.

Table 2 Competent Authorities by Business Sector

Business Sector	Competent Authority
Any designated person who is not subject to supervision by another competent authority: <ul style="list-style-type: none">- Dealers in High Value Goods (HVGDs)- Trust or Company Service Providers (TCSPs) (not within the remit of the Central Bank of Ireland or designated accountancy bodies)- Tax Advisors- External Accountants (not within the remit of designated accountancy bodies)- Private Members' Clubs where gambling activities are carried on- Providers of gambling services (see footnote 7)	Minister for Justice and Equality
Credit and Financial Institutions	Central Bank of Ireland

Property Service Providers	Property Services Regulatory Authority
Solicitors	Law Society of Ireland
Barristers	General Council of the Bar of Ireland
Accountants	Designated Accountancy Body
Trust or Company Service Providers (who are members of a designated accountancy body)	

In addition, the Charities Regulator is the national statutory regulator for charitable organisations. It is an independent regulatory authority established in 2014 under the Charities Act. All charities are obligated to register with the Regulator.

While providers of gambling services are currently supervised by the Department of Justice and Equality (capacity building is underway and formal compliance will begin in January 2020 with this sector), the regulation of the gambling sector will be the responsibility of the Gambling Regulator when it is established (a Bill providing the statutory basis for the Gambling Regulator is currently passing through the Houses of the Parliament (Oireachtas).

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 measures to reduce their vulnerability to being used to launder money. These include:

- Conducting Customer Due Diligence (CDD) - specific and detailed provisions relating to the obligation to verify the identity of customers;

- 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 may:

- Conduct on-site inspections;
- Access records of the entity, inspect and retain them, where required, for further examination;
- Issue directions requiring designated persons to comply with their obligations
- Make competent authority suspicious transaction reports to An Garda Síochána and Revenue
- Undertake communication and information initiatives;

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 SUPERVISION

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

- Trust or Company Service Providers (TCSPs) (not already supervised by the Central Bank of Ireland or designated accountancy bodies);
- Persons trading in goods for cash values of €15,000 or more (High Value Goods Dealers (HVGDs).) Note that since the enactment of the revised Act in November 2018 this amount has been reduced to €10,000;
- Tax Advisers and External Accountants who are not already supervised by a self-regulating body;

- Private Members' Clubs (PMCs)⁵ where gambling activities are carried on; and
- Gambling Services Operators.⁶

5.3.2 RISK RATING

In 2018, the AMLCU continued to utilise 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. This rating, along with information on compliance levels within the different sectors, forms the basis for the prioritisation of inspections within a business sector.

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 2018, the AMLCU received a total of 24 new applications from TCSPs. Before a TCSP 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 365 TCSPs were recorded as being authorised.

In 2018, a total of 5 businesses had their authorisations, to carry out TCSP activities in Ireland, revoked by the Minister. 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 2018 only 1 Private Members' Club (PMC) registered with the AMLCU for the first time. In addition 1 was removed from the register as it had ceased operations. At the end of the reporting period some 39 PMCs were recorded as being registered with the AMLCU.

⁵ AMLCU registers Private Members' Clubs at which gambling activities are carried on, but only in respect of those gambling activities.

⁶ Gambling Services Operators became Designated Persons under the 2018 Act on November 14th. No inspections were carried out on Gambling Service Providers in 2018 as the AMLCU agreed a compliance regime with the operators that included a capacity building phase during which staff training and procedures would be carried out within the gambling industry before inspections take place.

5.3.5 INSPECTIONS

In 2018, a total of 523 compliance inspections were completed across all sectors by authorised officers within the AMLCU. This represented some:

- 440 inspections of High Value Goods Dealers (HVGD). There was an increased focus in 2018 on precious metal and stone dealers in line with FATF recommendations;
- 75 inspections of Trust or Company Service Providers (TCSP);
- 6 inspections of Private Members Clubs;
- 2 inspections of Tax Advisors/External Accountants.

A further 12 inspection were attempted but could not proceed as the entities were closed.

5.3.6 COMPLIANCE RATES

Table 3: Compliance Rates by Sector from 2015 to 2018

	TCSPs				PMCs				HVGDs*			
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
Fully Compliant	69%	81%	58%	44%	63%	72%	86%	50%	78%	73%	72%	67%
Partially Compliant	31%	18%	42%	56%	37%	26%	7%	50%	22%	26%	26%	32%
Non-Compliant	N/A	1%	N/A	N/A	N/A	2%	7%	N/A	N/A	1%	2%	1%

**Includes Tax Advisors and External Accountants in 2018*

Falls in compliance ratings for certain sectors are considered in part to be due to new more onerous compliance obligations on designated persons.

5.3.7 DIRECTIONS

The Competent Authority issues directions⁷ after repeated inspections show that a business has failed to comply with their obligations as set out in the Acts. Failure to implement a Direction can result in prosecution. In 2018, the AMLCU issued 23 directions to High Value Goods Dealers. This is an increase on 2017 when one direction was issued.

5.3.8 OUTREACH AND ENGAGEMENT

The competent authority's 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. When carrying out an inspection, an authorised officer uses the inspection to remind the designated person of their obligations.

During 2018, the awareness raising campaign focused on helping designated persons understand their key obligations under the legislation.

The AMLCU website (www.antimoneylaundering.gov.ie) is the primary source of information and advice for designated persons and the Competent Authority ensures it is updated regularly. In addition to the website, guidance was provided on obligations through other channels, including:

- At compliance inspections, the Authorised Officers continued to provide detailed and entity specific advice to designated persons, including how to mitigate any ML/TF risk.
- Authorised Officers also assisted designated persons in registering and using the GoAML portal to report suspicious transaction system.
- The circulation of information flyers and templates to specific sectors providing clear guidance on important obligations.

⁷ Directions are issued under Section 67, 68 or 71 of the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010 to 2018

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 credit and financial institutions for compliance with legislation pertaining to Anti-Money Laundering and Countering the Financing of Terrorism (“AML/CFT”). The Central Bank is also one of the three competent authorities⁸ for the administration of the EU Financial Sanctions regime (“FS”) in Ireland. The Central Bank has a specialist Anti-Money Laundering Division (“AMLD”) that is dedicated to monitoring AML/CFT compliance.

5.4.1 SUPERVISION

The Central Bank supervises credit and financial institutions for AML/CFT compliance on a risk-sensitive basis. This risk-based approach ensures that firms with a higher level of ML/TF risk are subject to more frequent and intensive supervision.

The Central Bank maintains a ML/TF Risk Assessment to identify and assess risk in the financial services sector in Ireland from a supervisory perspective. The Central Bank’s ML/TF Risk assessment of credit and financial institutions is separate and distinct from prudential and consumer supervisory engagements and risk ratings. The ML/TF Risk Assessment incorporates:

- 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 table 4.

⁸ The other competent authorities for EU Restrictive Measures are the Department of Business, Enterprise and Innovation and the Department of Foreign Affairs and Trade

Table 4 Summary of overall ML/TF Risk Ratings per Financial Sector

High Bureaux De Change E-Money Institutions Payment Institutions - (<i>Money Remitters</i>) Retail Banks	Medium High Fund Administrators/Funds Investment Firms - (<i>Other than Asset Managers</i>) Non-Retail Banks - (<i>Engaging in higher risk activities such as Corporate Banking, Corporate Finance, Private Banking, Corporate Trust, Treasury, Aircraft Finance, Maritime Finance and Depository Services</i>)
Medium Low Credit Unions Investment Firms - (<i>Asset Managers</i>) Life Insurance Firms Money Lenders Non-Retail Banks - (<i>Engaging in Asset Finance, Bonds, Money Market Services and Covered Banks</i>) Payment Institutions - (<i>Other than Money Remitters</i>)	Low Retail Intermediaries Trust or Company Service Providers - (<i>Subsidiaries of Credit or Financial Institutions only</i>)

In 2018, the Central Bank conducted a total of 72 inspections and issued 259 Risk Evaluation Questionnaires across a variety of institutions. In addition, AMLD conducted 59 AML/CFT Review Meetings with firms in 2018. Throughout 2018, AMLD was also heavily involved in outreach activities such as presentations and seminars.

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 5 Supervisory Engagement Model

	High ML/TF Risk⁹	Medium High ML/TF Risk	Medium Low ML/TF Risk	Low ML/TF Risk
Inspection Cycle	3 years	5 years	Strategic, spot check & responsive	Strategic, spot check & responsive
AML/CFT review meetings	Annually	5 years	Strategic, spot check & responsive	As required.
AML/CFT Risk Evaluation Questionnaires	Annually	2 years	3 years	Strategic, spot check & responsive

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 June 2018, the Central Bank fined Appian Asset Management Limited and reprimanded it for breaches of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (the CJA 2010), in addition to breaches of the rules relating to client assets. The breaches identified failings in Appian’s AML/CFT framework and procedures in relation to monitoring and scrutinising client transactions, failing to adopt policies and procedures to prevent money laundering and terrorist financing, training, and the reporting of suspicious transactions.

⁹ 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

5.4.3 ADMINISTRATION OF FINANCIAL SANCTIONS

The Central Bank publishes on its website daily updates on financial sanctions regulations at EU level and UN terrorist designations as they arise in order to assist regulated financial services providers in monitoring customers and transactions against EU and UN sanctions lists.

The Central Bank continues to send financial sanction alerts to regulated financial service providers and the public via its automated email alert subscription, notifying subscribers of significant changes to financial sanctions. The Central Bank publishes on its website daily updates on financial sanctions regulations at EU level and UN terrorist designations as they arise in order to assist regulated financial services providers in monitoring customers and transactions against EU and UN sanctions lists.

5.4.4 POLICY ENGAGEMENT AND TECHNICAL ASSISTANCE

The Central Bank provides supervisory input into domestic and international AML/CFT policy developments. At the domestic level, the Central Bank is a member and active participant at the national AML Steering Committee and the Cross Departmental International Sanctions Committee. It also provides technical assistance on the transposition of EU AML law and new domestic legislation.

At the international level, the Central Bank has been actively engaged in supervisory policy discussions at the European Supervisory Authorities (ESAs) and Financial Action Task Force (FATF). The Central Bank has inputted into a number of ESA's work streams including the Joint Opinion on Risk, the Task force on Virtual Currencies, Guidelines on a Risk Based Approach to supervision, Updated Risk Factor Guidelines and Supervisory Co-operation Guidelines.

Furthermore, the Central Bank has been actively engaged with the Financial Action Task Force ("FATF") process through its attendance at FATF meetings and, following on from the Mutual Evaluation Report on Ireland, providing quarterly updates to Department of Finance in relation to open action items. The Central Bank has also contributed to the drafting of the FATF Risk Based Approach Guidance for the Insurance and Securities Sectors, as well as contributing to the on-going work regarding the manner in which the FATF Recommendations should apply to Virtual Asset Service Providers.

5.4.5 OUTREACH AND ENGAGEMENT IN 2018

During 2018, the Central Bank participated in 17 speaking events to the private sector held in various locations nationally and internationally. These events included some organised by the Central Bank and others hosted by various bodies including ACAMs, Compliance Ireland and the Association of Compliance Officers in Ireland.

The purpose of these speaking events was to highlight to credit and financial institutions their AML/CFT obligations and the importance of adopting a risk-based approach when applying preventive measures. The Central Bank also used these speaking 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 also provides guidance and feedback on AML/CFT to industry through various publications. These publications provide credit and financial institutions with guidance as to the Central Bank's expectations in respect of AML/CFT compliance. In 2018, the Central Bank published two AML Bulletins on AML Compliance in the Stockbroking and Investment Firm sector and Payment Institution Agent Training. In addition, articles were published on AML/CFT in the Credit Union News (Central Bank publication) and a circular was issued to all Credit Unions on the role of Internal Audit, in addition to an article being added to the Central Bank's Intermediary Times newsletter. Finally, an interview with the Head of AMLD was published in the ACOI 'Irish Compliance Quarterly' on the work of AMLD.

5.5 Charities Regulatory Authority

5.5.1 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 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.

5.5.2 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.

The Charities Regulator maintains a dedicated FATF section on its website that outlines what FATF is and how charities fall within its scope. The section also includes relevant links for charities in relation to guidance around anti-money laundering and counter terrorism financing.

In 2018, the Charities Regulator developed and published key guidance documents for charity trustees to promote compliance with the duties in the control and management of charities. These included:

- The Charities Governance Code, which sets the minimum standards, which everyone on the board of a registered charity, should ensure their charity meets in order to effectively manage and control their organisations. The code is to be implemented in 2020 and the compliance with the Code will be closely monitored by the CRA.
- 'What is a Charity?' guide which sets out the legal criteria which new entities have to meet if they are to apply to be a registered charity.
- Practical guide for the trustees of Irish charities, highlighting the rules which apply to their organisations when engaging in activities to promote a political cause.
- Practical guide to help charity trustees manage conflicts of interest that may arise when managing and controlling their charities.

5.6 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 2015, 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.

Approximately 2,300 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 Criminal Justice (Money Laundering and Terrorist Financing) Acts the Solicitors Accounts Regulations 2014 and the Solicitors (Money Laundering and Terrorist Financing) Regulations 2016, 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 from 3rd parties (e.g. accountants, other solicitors, employees, ex-employees, An Garda Síochána)

Where a solicitor fails to implement procedures to combat money laundering or terrorist financing, a report is submitted to the Regulation of Practice Committee who will require the solicitor to provide it with a copy of their 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 2018, a total of 403 firms were subject to inspection by the Law Society for anti-money laundering compliance purposes. Of these 94.5% had written policies and procedures in place. The remaining 7% 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 from the Society's AML Guidance Service. These firms took corrective action subsequent to the inspections and provided the Law Society with a copy of new AML/CTF procedures for their firm. During 2018, the Law Society submitted 5 STRs to An Garda Síochána FIU and to the Revenue Commissioners under Section 63 of the Act.

5.6.1 LAW SOCIETY SUPERVISION AND SANCTIONS

The experience of the Law Society is 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. Where a solicitor who is compliant with the Solicitors Accounts Regulations is found not to be complying with AML/CTF requirements the Society has introduced a policy of targeted ½ day inspections to investigate AML/CTF compliance only.

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.

The Law Society established an AML Compliance Working Group Working Group that made 11 recommendations, which were accepted in full by the Committee in June 2018. While some of the recommendations are being implemented with the co-operation of relevant internal stakeholders, others will require legislative amendment and further Committee input.

5.6.2 LAW SOCIETY OUTREACH

The Law Society is engaged in a range of anti-money laundering and counter-terrorist financing outreach and engagement activities including awareness raising via a dedicated AML web resource hub promoted by the Society's social media channels. In advance of the commencement of new AML obligations under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2018, the Society published updated AML Guidance which

supplements the Society's AML Guidance published in 2010. This was launched on 19 November 2018 by a President's eBulletin to all solicitors. The Law Society has also developed three Infographics which communicate AML obligations visually and contain hyperlinks to key guidance.

To help solicitors comply with new statutory obligations when they provide an AML-regulated legal service, four sample adaptable forms and templates have been developed. The Law Society also provides tailored guidance via an Anti-Money Laundering Helpline. This helpline receives queries from solicitors about AML on a daily basis and in response it provides real-time guidance. Usage has tripled in the past ten years, and the increase in volume is often matched by an increase in complexity.

Under 'CPD Regulations 2015' (S.I. No. 480/2015) firms must appoint an AML Compliance Partner. The AML Compliance Partner must annually undertake a minimum of 3 hours training in regulatory matters, of which at least 2 hours shall be accounting and anti-money laundering compliance. The Law Society contributes to FATF's revision of its Guidelines on the Risk Based Approach for the Legal Sector.

5.7 Professional Accountancy Bodies

In Ireland, in 2018, 8 professional accountancy bodies acted 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 8 accountancy bodies responsible for AML purposes 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)

5.7.1 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 adopting 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 the nature and scale of non-compliance. In 2018, no accountancy body indicated that they imposed penalties on entities under their supervision. These penalties could include fines, reprimand and follow up review.

5.7.2 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.

5.8 Property Services Regulatory Authority

The Property Services Regulatory Authority (PSRA) is the State Competent Authority for compliance with anti-money laundering and counter-terrorist financing laws for property services providers. As competent authority, the PSRA is tasked with supervising property services providers for AML/CFT compliance. The PSRA provides guidance to property service providers on developing and implementing the relevant policies and procedures necessary to ensure compliance with regulations regarding AML/CF.

Property Services Providers (PEPS) are obliged to:

- Conduct a Business Risk Assessment on AML/CF, have policies in place and training for staff;
- Conduct a Client Risk Assessment;
- Carry out Customer Due Diligence;
- Identify Beneficial Owners and register them with the Central Register of Beneficial Ownership;
- Identify Politically Exposed Persons (PEP) or a close associate of a PEP;
- Conduct Suspicious Transaction Reports (STR's) on GoAML and Revenue;
- Retain records for seven years.

The PRSA maintains information, tools and templates on its website (www.psr.ie). The 2018 annual report of the PRSA is available at <http://www.psr.ie/>