



Banc Ceannais na hÉireann
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Anti-Money Laundering Bulletin

Welcome to the second publication of the Anti-Money Laundering bulletin in 2018. This edition relates to the Central Bank's Anti-Money Laundering / Countering the Financing of Terrorism & Financial Sanctions (AML/CFT) engagement with firms in the Money Remittance Sector and sets out the Central Bank's key expectations regarding the training of agents that such firms utilise for the provision of money transfer services.

Background

The Central Bank adopts a risk-based approach to AML/CFT supervision of credit and financial institutions. Both the National Risk Assessment for Ireland, and the Supranational Risk Assessment published by the European Commission, highlight significant Money Laundering/ Terrorist Financing (ML/TF) risks associated with money remittance services.

Money remittance firms that are Irish authorised, and those that are authorised by other EEA Member States and passport their services into Ireland (firms) through agents here, are subject to the same supervisory engagement in respect of their Irish activities. A key tenet of our supervisory approach involves reviewing the design of the firm's systems and controls with respect to their Irish agents and the operating effectiveness of such controls.

The Central Bank implements an intrusive supervisory engagement model, including onsite inspections carried out at agent locations in order to assess the quality of the firm's AML/CFT controls and environment. These supervisory engagements include the review of training received by agents. As frontline operators, agents play a key role in gathering information and documents to assist firm's fulfil AML/CFT obligations to identify and verify its customers and are central to the initial and prompt detection of possible suspicious activity.



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Links to useful sources of information:

[National Risk Assessment](#)

[Supranational Risk Assessment](#)

[FATF Guidance for a Risk-Based Approach - Money or Value Transfer Services](#)

[EBA Regulatory Technical Standards on the appointment of a Central Contact Point](#)

As such, the importance of implementing a comprehensive and effective AML/CFT training regime, for agents/at agent level, is a key feature of an effective AML/CFT framework.

All firms are required, under the Criminal Justice (Money Laundering and Terrorist Financing Act 2010), as amended (the CJA 2010), to provide regular, ongoing training to their agents on matters relating to AML/CFT.

This bulletin sets out the Central Bank's key expectations regarding the implementation of an AML/CFT agent training model, including:

1. Quality of training;
2. Optimising face-to-face engagement
3. System for delivery; and
4. Oversight.

1. Quality of Training

As a primary measure, firms must provide mandatory training to agents to raise awareness of their AML/CFT obligations and to provide instruction on how to detect suspicious activity. A tailored training programme should be in place, which adequately covers:

- The legal obligations;
- Internal policies and procedures; and
- Any unique ML/TF risks the firm may face, such as, human trafficking.

Training should also seek to build up an AML/CFT compliance culture which is embedded in the activities and decisions of the agent.

In certain instances, agents are non-financial service professionals, often providing money remittance services as a supplementary activity to their core business. As such, training materials should be adequately tailored for different roles within the firm. Agent training materials should be clear, concise, and cater to the specific activities and responsibilities of the agent.

The training materials should not only provide general information on AML/CFT requirements, but should be aligned with the Irish and EU legislative requirements and the ML/TF risks associated with operating a money remittance service in this jurisdiction.

The money remittance sector is particularly vulnerable to risks associated with terrorist financing. As such, firms must demonstrate both a proactive and reactive approach to ensuring that agents are aware of emerging risks or changes in the operating environment.

REMINDER

The European Supervisory Authorities issued Risk Factor Guidelines in June 2017. All Designated Persons in Ireland are expected to have considered, and where applicable implemented, these Guidelines by 26 June 2018.

[EBA Risk Factor Guidelines](#)

[FATF Report on Money Laundering through Money Remittance and Currency Exchange Providers](#)

2. Optimising face-to-face engagement

The initial stage in the money remittance process presents a unique opportunity to detect potential ML/TF activity due to the face-face nature of the transaction. As such, training materials should be tailored to ensure that agents are aware of specific ML/TF typologies that may otherwise be difficult to identify.

Agents are often involved in the only element of face-to-face engagement with the customer and, as such, play an essential role in the detection of suspicious activity. Firms must ensure that training materials emphasize the role that agents play in the prevention of ML/TF. In particular, firms must remain vigilant to any perceived dilution of the agent's role, stemming from an over-reliance on systems to detect suspicious activity.

Firms must ensure that effective measures are implemented to keep pace with the evolving ML/TF risk environment. For example, in certain instances criminals may seek to obviate key customer due diligence (CDD) controls by splitting transactions across multiple providers, to remain below thresholds for CDD and to evade detection. This may arise in particular circumstances where a single agent is operating on behalf of a number of Payment Institutions. Firms must evolve and adapt to meet such challenges.

3. System for Delivery

There are various methods for delivery of training, including:

- Onsite or offsite initial training;
- Ongoing training via web-based programmes;
- Periodic mailings or newsletters; and
- Websites or pop-up messages at point of origination.

It is imperative that training is provided prior to an operator at the agent location commencing services on behalf of the firm, and that mandatory refresher training is provided, at a minimum, on an annual basis. The firm must ensure that there are effective channels of communication to deliver regular training and updates as required.

The system for delivery must include capability to record completion rates along with methods to ensure that materials are understood. For example; the inclusion of tests following completion of the training, and minimum pass rates. Firms must adapt training materials and the mechanisms for delivery to avoid a "tick the box" approach, ensuring that agents are fully informed and engaged. Further, the firm must have controls in place to ensure that individual operators complete the training. For example, it may use unique identification log-in details for online training.

Outside of mandatory training, the system for delivery should include mechanisms to facilitate prompt updates on:

- Key trends;
- Emerging risks;
- Legislative changes; and
- Internal policies and procedures.

In particular, firms must ensure that channels of communication are in place to provide urgent updates on potential TF activities/risks.

4. Oversight

The Board and Senior Management of a firm is responsible for ensuring that their firm is not used for ML/TF purposes. The Board and Senior Management must put in place an AML/CFT compliance programme that not only ensures compliance with the relevant legislation, but where necessary includes further action to mitigate any specific and unique vulnerability that the firm might have to ML/TF.

A formalised process should be in place for the review of AML/CFT training materials. The Head of AML/CFT Compliance, (or other relevant senior member of staff with responsibility for AML/CFT), should have ownership and sign-off of agent training materials. The training materials must be subject to frequent review and update. Firms are required to ensure that such updates are communicated to agents in a timely manner, including:

- Legislative changes;
- Changes to policies and procedures; or
- Where information arises regarding ML/TF risks.

In order to monitor the effectiveness of training, an agent oversight programme should be in place, commensurate to the nature, scale and complexity of the firm. The programme should involve oversight and challenge by the second and third lines of defence, including onsite visits to the agent locations to ensure that the training is adequately embedded into the day-to-day activities, and to identify areas of improvement /enhancement.

The firm should further implement adequate reporting mechanisms to monitor training completion rates and a formalised process should be in place to deal with any instances of failure to complete mandatory training. In particular, an escalation process should be in place for failure to complete mandatory training, including consideration of additional compliance oversight or, where required, the suspension and/or the removal/termination of an agent relationship. The Board should ensure that it receives adequate management information on the implementation of the firm's AML/CFT training programme. The scale and level of detail contained in such reporting should be proportionate to the nature, scale and complexity of the firm.