

FATF



Anti-money laundering and
counter-terrorist financing
measures

Ireland

Follow-up Report &
Technical Compliance Re-Rating

February 2022

Follow-up report





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

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Ireland's 2nd Regular Follow-up Report

1. Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of Ireland in June 2017.¹ This FUR analyses Ireland's progress in addressing the technical compliance deficiencies identified in its MER, relating to Recommendation 22. Re-ratings are given where sufficient progress has been made. This report also analyses Ireland's progress in implementing new requirements relating to FATF Recommendations that have changed since the 2nd enhanced follow-up report of Ireland in October 2019 (R.15).

Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Ireland has made to improve its effectiveness.

2. Findings of the MER and 2nd Enhanced Follow-up Report

The MER and 2nd Enhanced Follow-up Report rated Ireland's technical compliance as follows:

Table 1. Technical compliance ratings, MER (June 2017) and 2nd Enhanced Follow-Up Report (October 2019)

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	C	C	C	LC	PC	PC	PC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	C	PC	LC	LC	C	LC	LC	LC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	LC	LC	LC	C	C	LC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
C	PC	PC	C	LC	C	C	LC	C	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Source: Ireland 2nd Enhanced Follow-Up Report, October 2019

¹ <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Ireland-2017.pdf>

Mr. Mishal Aljuleifi, AML/CFT Expert, Ministry of Finance, Kingdom of Saudi Arabia conducted the analysis of the re-rating.

Section 3 of this report summarises Ireland's progress made in improving technical compliance. Section 4 sets out the conclusion and a table showing which Recommendations have been re-rated.

3. Overview of progress to improve technical compliance

This section summarises Ireland's progress to improve its technical compliance by:

- a) addressing some of the technical compliance deficiencies identified in the MER; and
- b) implementing new requirements where the FATF Recommendations have changed since the 2nd enhanced follow-up report of in October 2019 (R.15).

Progress to address technical compliance deficiencies identified in the MER

Ireland has made progress to address the technical compliance deficiencies identified in the MER in relation to R.22. Because of this progress, Ireland has been re-rated on this Recommendation.

Recommendation 22 (originally rated PC)

In its 4th round MER, Ireland was rated PC on R.22 due to a range of deficiencies, including customer due diligence gaps in R.10 that had affected the compliance of DNFBPs with CDD requirements. In particular, there was no specific requirement to verify that any person purporting to act on behalf of the customer is so authorised, and to identify and verify the identity of that person. Besides, the requirement to identify the beneficial owner was not extended to whoever holds the position of senior managing official. Additionally, there was no specific requirement to apply CDD measures to existing clients; and simplified due diligence was not based on a risk assessment.

Since adoption of its MER, Ireland introduced amendments to its Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 in 2018 ('CJA 2010 as amended') which address several deficiencies related to preventative measures, that are also applicable to DNFBPs.

There is now an obligation for designated persons to identify and verify the person purporting to act on behalf of the customer. The legislation also incorporates Article 3 of the Fourth Money Laundering Directive of the EU whereby there is a requirement to identify senior managing officials if all means to identify the beneficial owner of a legal person are exhausted. Existing customers are now subject to customer due diligence at any time, including when the relevant circumstances of a customer have changed and where warranted by the ML/TF risk. Simplified due diligence can be applied on the identification of lower ML/TF risks based on a relevant

business risk assessment. Deficiencies identified in its mutual evaluation report regarding politically exposed persons and new technologies were addressed in its 2nd enhanced follow-up report and the measures also cover DNFBPs. However, customer identification and verification obligations as well as legislation to prevent tipping off need to be more comprehensive.

Legislation has been updated to require designated persons to examine the background and purpose of all complex or unusually large transactions and all unusual patterns of transactions. However, there is no obligation to record these examinations, nor to keep records in a manner that allows for the reconstruction of individual transactions. Ireland has not expanded its legislative framework in relation to having information available on the level of risk of third parties and third parties are still required to make information available to fulfil CDD obligations “as soon as practicable” rather than “immediately”.

Private Members’ Club providing gambling services remain unlicensed and property services providers are not required to identify direct purchasers of property. However, these do not weigh heavily in the context of Ireland’s risk and context.

Ireland has largely addressed most of the deficiencies identified in its MER, and minor deficiencies remain. **On this basis, R.22 is re-rated largely compliant.**

Progress on Recommendations which have changed since adoption of the MER

Since the adoption of Ireland’s MER and its 2nd follow-up report, the FATF amended R.15. This section considers Ireland’s compliance with the new requirements.

Recommendation 15 (PC in MER, re-rated to LC in 2nd enhanced FUR)

In June 2019, R.15 was revised to include obligations related to virtual assets (VA) and virtual asset service providers (VASPs). These new requirements include: requirements on identifying, assessing and understanding ML/TF risks associated with VA activities or operations of VASPs; requirements for VASPs to be licensed or registered; requirements for countries to apply adequate risk-based AML/CFT supervision (including sanctions) to VASPs and for such supervision to be conducted by a competent authority; as well as requirements to apply measures related to preventive measures and international co-operation to VASPs.

In its 4th Round MER, Ireland was rated PC on R.15, as Ireland had neither conducted an assessment of its ML/TF risks related to new products or technologies, nor was there a specific requirement to undertake risk assessments. These deficiencies were largely addressed in its 2nd enhanced follow-up report and Ireland was re-rated LC on R.15 as there remains no specific obligation to undertake risk assessments prior to the launch or use of products, practices or technologies.

Since the MER, Ireland conducted a Sectoral National Risk Assessment on New Technologies in 2019, where it was noted that risks arising from virtual assets and VASPs are considered to be medium-high for both ML and TF. This risk assessment would benefit from further detail on the vulnerabilities and threats associated with VASP operations and activities. The gap in this area would limit supervision, mitigation measures relating to VASP operations and activities and the application of risk based preventive measures. However, under the CJA 2010 as amended, VASPs, as designated entities, are required to carry out a risk assessment as well as have internal policies and procedures to deal with the identification, assessment, mitigation and management of ML/TF risk factors.

VASPs are required to be registered. Beneficial ownership information and other information are obtained by the Central Bank as part of the registration process to ensure that the applicant can carry out their obligations as a designated person and that the applicants and beneficiaries are fit and proper persons. Fit and proper requirements however lack explicit measures to prevent criminals or their associates from holding, or being the beneficial owner of a significant or controlling interest, or holding a management function. Although Irish authorities can apply a range of sanctions against unregistered VASPs, these have yet to be applied.

The Central Bank, which also conducts supervision of VASPs, is adequately empowered to obtain information from VASPs, search and inspect the premises of VASPs, inspect their records, give directions and monitor for the purpose of AML/CFT compliance. The Central Bank also establishes guidelines and provides outreach to assist VASPs in understanding their national AML/CFT obligations, including in detecting and reporting suspicious transactions.

As under the legislative framework VASPs are explicitly included as designated entities, preventive measures that apply to designated entities also apply to VASPs. However, the threshold for occasional transactions, above which the VASPs are required to carry out due diligence measures, is fixed at the equivalent of EUR 15 000 (as opposed to EUR 1000 required in the FATF Standards). Besides, the applicable regulation related to payment services providers, does not include virtual currencies under the definition of “funds”, which means fund transfer obligations do not apply to virtual currencies.

TFS obligations apply to virtual currency providers, where communication mechanisms, reporting obligations and monitoring apply to all designated persons, including VASPs. Ireland’s international co-operation framework applies to all designated entities including VASPs.

Ireland has met many of the new requirements introduced for VASPs, and minor deficiencies remain. On this basis, **R.15 remains largely compliant.**

4. Conclusion

Overall, Ireland has made progress in addressing most of the technical compliance deficiencies identified in its MER and has been upgraded on

R.22. Ireland meets most of the new requirements of R.15 and the rating for this Recommendation remains unchanged.

Considering progress made by Ireland since the adoption of its MER, its technical compliance with the FATF Recommendations has been re-evaluated in the following manner:

Table 2. Technical compliance ratings

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	C	C	C	LC	PC	PC	PC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	C	PC	LC	LC	C	LC	LC	LC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	LC	LC	LC	LC	C	C	LC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
C	PC	PC	C	LC	C	C	LC	C	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Ireland will remain in regular follow up and will continue to inform the FATF of progress achieved on improving the implementation of its AML/CFT measures.

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Anti-money laundering and counter-terrorist financing measures in Ireland

Follow-up Report & Technical Compliance Re-Rating

As a result of Ireland's progress in strengthening their measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on Recommendations 22.

The report also looks at whether Ireland's measures meet the requirements of FATF Recommendations that have changed since their mutual evaluation in 2017 and their 2019 follow-up report.

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