ACAMS – Ireland Chapter - Agenda

7.00pm - Welcome address - Sinead Ovenden, Director PwC
7.05pm - Ireland’s AML/CTF Regime - FIU Perspective
    Detective Sergeant Clodagh White, FIU, Garda National Economic Crime Bureau
7.25pm - Justin Delaney, Suspicious Transactions Unit, Revenue Commissioners
7.40pm - Kevin Nolan, MLRO/Financial Crime Officer, Wells Fargo Bank
7.55pm - Panel Discussion with Q & A
8.15pm - Closing Remarks – Sinead Ovenden, Director PwC
8.20pm - Post event networking with drinks and canapes
ACAMS – Ireland Chapter
Ireland’s AML/CTF Regime – FIU Perspective

Detective Sergeant Clodagh White
Financial Intelligence Unit (FIU)
Presentation Topics

- Role of FIU
- Reporting Requirements - STRs
- STR Analysis
- Money Laundering Trends/Typologies
- Terrorist Financing
- Future Challenges
Role of FIU

FINANCIAL INTELLIGENCE UNIT (FIU) – Part of the Garda National Economic Crime Bureau (GNECB) - Police-based FIU - Garda Officers & administrative support staff

PRIMARY ROLE/FUNCTION OF FIU: Receive, assess, & disseminate Suspicious Transaction Reports (STRs) from “designated persons” for investigation - MLIU Teams, CAB or Garda Divisions – specially trained members . . .

Also receive reports (Section 63 of 2010 Act) of suspected ML/TF from “Competent Authorities”, e.g. Central Bank, AMLCU, Law Society & other Professional Bodies

60% of STRs received electronically, 40% of STRs in paper format
29th May 2017 - acquisition of new IT software solution (GoAML) by FIU
Web Reports or XML Uploads (Batch reporting) . . . .
“Message Board” – two-way secure communication with reporting entities & stakeholders – alerts, trends, typologies, etc.
> Increased benefits to the FIU & all stakeholders
### Role of FIU Cont’d . . .

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Good quality STRs is vital in the fight against ML/TF
> How are you going to identify a ‘Suspicious Transaction’?

Essential to monitor customer/client accounts

HOW WELL DO YOU KNOW YOUR CUSTOMER??
What transaction patterns are you expecting to be normal . . . . What is his/her legitimate source of income/wealth?

Have you established ‘beneficial ownership’?

Is the customer a PEP?

Source of funds is crucial – CASH?? EFTS?? Are there third party payments – relationship with customer?? Could the funds be proceeds of crime??
> only then can you identify what’s ‘suspicious’ or ‘unusual
Reporting Requirements – STRs  Cont’d . . .

Section 42(6): “Designated person shall disclose the following information”:

- The information on which the designated person’s knowledge, suspicion or reasonable grounds are based. What transaction(s)/event(s) has triggered suspicion [Section 42(6) Requirement]

**SOURCE OF FUNDS:** Provide details of suspicious amounts – *if a cheque/draft is lodged, quote bank, cheque nos. & a/c. nos., etc.*

EFTs: Provide details of remitter, bank name & account details

- The identity of the account holder
  > Personal details of customer – name, current/previous address(es), date of birth, occupation, nationality
  > Joint accounts – require date of birth of both account holders and identification details for both
Reporting Requirements – STRs  Cont’d . . .

> details of I.D. produced – passport nos. & country of issue, d/licence nos., company documentation, etc. (provide copies of I.D. if desired – very useful)

- The whereabouts of the property (i.e. funds) which is the subject of the ML/TF suspicion
  EFTs: Provide details of bank name, payee account details, etc. Was it a cash withdrawal?? Draft/cheques – details of same . . .

- Any other relevant information

Submit STRs ‘as soon as practicable’ (promptly??) - do not delay in reporting - Failure to report is an arrestable offence
STR Analysis

- All STR details inputted on FIU Database – acknowledgements issued
- FIU Database: All new data matched against existing data/fin. intelligence for any ‘hits’ – manual process will become automated
- Can the FIU link the person(s) and source of funds with a “predicate offence”??
  - Law Enforcement checks
  - Open source checks
  - Cross-jurisdictional nature of ML/TF – International enqs - . . . .
- Some STRs lead to full investigations – Funds may be ‘frozen’ - Section 17 of 2010 Act, persons arrested and prosecuted for ML offences and/or associated “predicate offences”
- Assisted by two in-house Money Laundering Investigation Teams (MLIU)
STR Analysis Cont’d . . .

- Details from STRs used in POC Actions by CAB
- Other STRs potentially of interest to the Revenue Commissioners
- STRs treated as a very valuable source of intelligence
- Necessity to protect SOURCE . . . .
- STR information never used – all relevant documentation uplifted on foot of Court Orders
- Feedback on individual STRs . . . .
- We value your cooperation in the fight against ML & TF
Money Laundering Trends/Typologies

IRELAND’S 1ST NRA – PUBLISHED IN OCTOBER 2016
FATF INSPECTION – NOV. 2016 . . . MER 2017

- **TRADITIONAL PROFIT-GENERATING CRIMES:**
  Drug trafficking, brothel-keeping/prostitution, cross-border smuggling, financial crime, tax evasion, etc.
  . . . **TRADITIONALLY CASH-BASED FUNDS** – may or may not be laundered through the financial system

- **FINANCIAL CRIME:**
  STRs are reflecting an increase in the potential laundering of the proceeds of financial crime more so than any other ‘predicate offence’
  N.B. Invoice re-direction fraud/CEO fraud
Money Laundering Trends/Typologies    Cont’d . .

HOW ARE THE PROCEEDS OF FINANCIAL CRIME LAUNDERED?

> Proceeds of Invoice re-direction fraud/CEO fraud committed abroad being channelled through personal/business accounts – multiple transfers & cash withdrawals

> Proceeds of domestic investments scams (‘Ponzi/Pyramid’ scams) being laundered through the financial system (personal/business accounts) and often transferred to other accounts/multiple jurisdictions

> Proceeds of complex frauds (‘boiler-room frauds’, ‘Advance Fee Frauds/419 scams’ & Inheritance Frauds) committed outside jurisdiction being channelled through Irish financial system

> Proceeds of VAT carousel/MTIC frauds being channelled through Irish bank accounts – same day transfers – portion of funds remaining represents profits
Money Laundering Trends/Typologies Cont’d .

Bank accounts opened in the name of an Irish-registered entity – directors are non-national using TCSPs – funds being transferred into accounts and moved out of the country again very quickly

Accounts opened in false names using false documentation – funds remain in account for a very short period of time and are then transferred to avoid same being ‘frozen’/confiscated if transactions look suspicious e.g. deposits re purchase of plant & machinery, etc.

Identity Theft /Use of “assumed identities” – false documentation . . . .

Use of “money mules” - allowing personal accounts to be used for channelling proceeds of financial crime (proceeds of phishing, etc) – unusual international credit transfers vis-à-vis profile of customer. He/she may then withdraw cash to make onward transfer via payment institutions . . . Breaks the ‘audit trail’
Money Laundering Trends/Typologies Cont’d . .

- Investment structures (Funds, Trusts, Stocks/Shares) are potentially attractive mechanisms for money laundering – variety & complexity of instruments available (nominee structures/numbered a/cs.) – bribery, foreign bribery or corruption, etc. . . .

- Use of corporate structures: LBSs & entities used as a ‘front’

- Purchase of high-value goods (SUVs, boats, jewellery, gold, etc.) & properties (home/abroad)

- In addition to using the financial system, criminals/money launderers may use solicitors, accountants & other professionals to assist in laundering funds

- “Self-launderers” V “Third-party Money Launderers/Syndicates”

Globally, CASH remains a significant problem in the fight against ML/TF
Terrorist Financing

IRELAND: WHILE THE THREAT LEVEL OF A TERRORIST ATTACK IS MODERATE, THE DESIGNATED INDUSTRY & FIU NEED TO REMAIN VIGILANT & CONTINUE TO MONITOR CUSTOMERS/CLIENTS FOR TRANSACTIONS POTENTIALLY LINKED WITH TERRORIST FINANCING

Difficult to detect terrorist financing – smaller amounts – ongoing monitoring is essential

POTENTIAL INDICATORS:
- Country of destination of funds – conflict zones/neighbouring countries?
- Negative news – open source checks
- Multiple unusual credit card payments: booking flights, paying car hire, paying accommodation, etc. (Paris Attacks)
- Online banking – online logins (ip addresses??)
- Debit card usage in conflict zones/neighbouring countries
- Accounts going dormant . . . reactivated at a later stage on return (i.e. Turkey & then Ireland . . . )
Terrorist Financing Cont’d . . .

January 2016 – Bulletin on “Foreign Terrorist Fighters” (FTFs) issued by the FIU to the financial industry -
➢ PROVIDES POTENTIAL INDICATORS OF FTF FINANCING

DIFFERENT TYPES OF FINANCIAL TRANSACTIONS REFLECT DIFFERENT PHASES OF THEIR TRAVEL PATTERNS; i.e. pre-departure, while travelling, in conflict zones, return to home country, etc.

FTFs have travelled from Ireland to conflict zones – will they return ‘radicalised’??

It is believed that the preferred method to move funds intended for use by terrorists is the use of cash couriers as detection systems in the financial sector may pick up transfers of money to high risk zones.
Future Challenges

- Electronic Reporting of STRs (goAML) – 29th May 2017
  Essential to send quality STRs

- Transposition of the 4th AML/CTF Directive

- FATF: Mutual Evaluation Report (MER) – how effective is Ireland’s AML/CTF Regime?

- NRA – Needs to be kept updated

- Central register of Bank Accounts??

- Continued cooperation between public & private sector
Contact Information:

Financial Intelligence Unit (FIU),
Garda National Economic Crime Bureau (GNECB),
Harcourt Street,
Dublin 2
D02 DH42

Tel: 003531 6663714
Email: fiu-Ireland@garda.ie
ACAMS: Ireland Chapter.
17th May 2017.

Justin Delaney
Suspicious Transactions Unit.
Investigations & Prosecutions Division.
What is it?

- A report by designated persons of **suspicions** of money laundering including the laundering of the proceeds of tax evasion.
- A Revenue source of intelligence **not** evidence.
- NB – Be aware that it is an offence to tip off a customer that an STR has been submitted.
In Ireland STRs are received by both FIU (An Garda Siochana) and STU (Revenue).

Close co-operation between Revenue and AGS give both entities the opportunity to share insights and consider approaches to investigations.

This form of intelligence sharing is supported by money laundering legislation – 2010 CJA.

STRs can provide ‘red flags’ for both criminal and revenue intelligence led activity.
In excess of 192,000 STRs received since 2003.
Volume of STRs increasing each year – 22,612 in 2016.
Over 1000 referred to CAB and Special Investigations
Over 2,000 currently being used in on-going Audit and Compliance enquiries
1139 cases settled with c. €122m tax uplift
STR are risk rated by STU before dissemination to tax districts. Rating based on a number of factors, including monetary value.

- A+ (over €100k) 14.6%
- A (€50k to 100k) 21%
- B (€20k to 50k) 19%
- C (under 20k) 37%
- D (foreign address) 8.4%
Source of STRs

- Banks & Building Societies: 57%
- Credit Union sector: 19.5%
- Money Transfer Companies: 14%
- Funds Industry: 5%
- Insurance sector: 1.5%
- Investment Firm: 1.3%
- Accountants & tax advisors: 0.3%
- Legal sector: 0.1%
- Dealers in high value goods: 0.1%
- Stockbrokers: 0.09%
Reporting to the Authorities

- Identification
- Amount
- Payment type
- Reason for disclosure/suspicion
- Context – in relation to previous account activity
- Report to **BOTH** Revenue & An Garda Siochana
How do we use STRs

* Enhances the intelligence available to IPD’s investigation and intelligence teams

  * Customs and Excise data
  * Taxation data
  * Open source intelligence
  * Criminal intelligence
  * Financial intelligence
  * Data from other agencies and jurisdictions
How do we use STRs?

* What they give us:
  * A profile of a business’s activity that is not in keeping with their tax returns (high sales or turnover but low VAT returns/income declared)
  * Transferring proceeds of legitimate business to evade tax
  * Transferring proceeds of crime
  * Criminality or links to criminal groups
  * Financial links to businesses with high risk (missing trader fraud, Phoenix directors)

* High quality STRs can therefore:
  * Support an existing case
  * Produce a new case
Typologies and trends

* Company buying *and* selling with GB/NI companies
  * missing trader VAT fraud

* Exponential growth of turnover
  * missing trader VAT fraud/margin scheme abuse

* Repatriation of money to Asian countries
  * VAT/income tax fraud – restaurant and food industry

* Money going from Ireland to South America
  * drug trafficking – especially if sender is not South American
Typologies and trends ctd.

* Countries of interest from Customs perspective
  * Spain – drugs
  * Portugal – drugs
  * Netherlands – drugs
  * China – cigarettes
  * Vietnam – cigarettes
  * Romania – cigarettes and alcohol
  * Bulgaria – cigarettes
  * Turkey – cigarettes and drugs
  * South America – drugs
Typologies and trends ctd.

* Does the person or company have a legitimate reason for trade in these countries?

* Does the person’s employment or company profile suggest that large cash lodgements are normal for them?

* Is there an unusual pattern of large cash lodgements and withdrawals in a short space of time?

* Does the company have turnover or growth significantly higher than what you’d expect for their industry?

* Do the lodgements to their account look legitimate? From regular suppliers or unknown sources?
Typologies and trends ctd.

**The “what”**
- Is there a pattern, or has a pattern been broken?
- Is something not “normal” for this customer?
- Are they hiding a behaviour? Sales suppression?

**The “how”**
- What methods are they using? Cash lodgements/withdrawals?
- Are these out of character for the customer or their industry?

**The “who”**
- Deposits from a new source?
- Money to a country of interest?
- New business relationship?
STRs should be posted to:
Office of the Revenue Commissioners
Suspicious Transaction Unit
Block D, Ashtown Gate
Navan Road,
Dublin 15
OR
Office of the Revenue Commissioners
PO Box 12686
Dublin 15
ACAMS Ireland Chapter Event
"Reporting of Suspicious Activity in Ireland - A Practical Discussion"

17th May 2017

Kevin Nolan
Financial Crime Officer & MLRO
Wells Fargo Bank International UC
Overview

• The path to a STR
• Role of MLRO or equivalent
• Engagement
• What might the future bring?
The path to a STR

• What?
  • Tool used to protect designated entity, financial services system and general population from money laundering and terrorist financing.

• Who?
  • A person employed by or working on behalf of the designated entity.

• Why?
  Section 42(1) – “knows, suspects or has reasonable grounds to suspect... money laundering or terrorist financing.”

• Where?
  • Money Laundering Reporting Officer (MLRO) or equivalent.
The path to a STR

• When?
  • Section 42(2) – “make the report as soon as practicable after acquiring that knowledge or forming that suspicion, or acquiring those reasonable grounds to suspect...”
  • Section 42(7) – If possible, can the transaction or service be held without issue or potentially Tipping Off the subject of the STR?

• How?
  • Internal system?
  • Paper-based?
  • Email?
  • Telephone?
  • Where and how should the internal STR be recorded?
The path to a STR

• Considerations prior to filing:
  • Are the funds or transactions subject to restrictions per Section 17?
  • Might Section 42(7) apply i.e. a hold be put on service or transaction pending submission and response from recipients?
  • Are the requirements of Section 42(6) being met by the report?
    • Sufficient detail and supporting information included to ensure STR can be used effectively by the recipients?
    • Is the subject of the STR clearly identifiable for ease of extraction and extrapolation by recipients?
    • Current status of the transaction or relationship in question i.e. is the submitted awaiting confirmation or response per Section 42(7)?
    • Has all the relevant information been included e.g. connections of note or potential concern?
The path to a STR

• Considerations after filing:
  • Have the person who originally submitted been advised of requirements in relation to Tipping Off?
  • Are all supporting documents being correctly maintained within the required timelines and to hand in case of future need or query?
  • Has the STR Log been updated?
  • Have Senior Management or the Board of Directors been informed where required?
Role of MLRO or equivalent

• Board of Directors is ultimately responsible for compliance with AML/CFT requirements.

• Sample of industry expectations based on legislation that may be tasked to MLRO or equivalent:
  • Receipt, evaluation and reporting of suspicious activity;
  • AML/CFT-related training;
  • performance of Customer Due Diligence and ongoing monitoring of clients;
  • Assessment and monitoring of AML/CFT risk;
  • design of policies, procedures, processes and controls addressing AML/CFT risks within legislative framework; and
  • monitoring the adherence of entity to the policies, procedures, processes and controls.
Role of MLRO or equivalent

• Be an available, accessible, attentive adviser.

• Focus training as required – speak to the role of the person being trained and have them walk you through some of the risks that they face i.e. self-taught.

• Join in conversations outside of your area and company – be involved and embed AML/CFT (and financial sanctions!) wherever you can.

• Work to ensure that it is as straightforward as possible for reports to reach MLRO or equivalent to ensure speedy and efficient filing of STRs.
Engagement

• Attend or join forums, industry and professional bodies e.g. BPFI, ACAMS Ireland Chapter, etc.

• Private Sector Consultative Forum (PSCF).

• Increased outreach by public agencies and updates being provided.

• Checkpoints with Garda National Economic Crime Bureau (GNECB) and Revenue Commissioners of Ireland.

• Additional training e.g. CAMS.
What might the future bring?

• PCF 15 & CF2 – MLRO function a required PCF in future?
• goAML
• Reporting of fraud
• Impact of FATF MER
• EU 4th AML Directive (EU 5th AML Directive)
• Potential impact of BREXIT on any reliance on UK-based suppliers & systems
Ireland Chapter

Keep up to date on our Chapter Website:

http://www.acams.org/acams-chapters/ireland/

Contact ACAMS Ireland Chapter at: irelandchapter@acams.org
Panel Discussion

Detective Sergeant Clodagh White, FIU
Detective Sergeant John Poole, FIU
Justin Delaney, Revenue Commissioners of Ireland
Kevin Nolan, Wells Fargo Bank

Moderator - Sinead Ovenden
Thank you

Please join us for some drinks and canapés