



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Appendix A - AML/CFT Inspection of First Ireland Risk Management Limited

Final Findings Report

Report Issued to:	Linda Gallagher	MLRO
Report Issued by:	Terry Lowen	AML/CFT Supervisor Central Bank of Ireland
Date Issued:	01/08/2019	
Response due date:	Closed	

Contents

Findings Status 1

Finding 1.1 – Corporate Governance 2

Finding 1.2 – Corporate Governance 4

Finding 1.3 – Corporate Governance 8

Finding 2.1 - Training..... 9

Findings Status

Finding Number	Status
Finding 1.1	Closed
Finding 1.2	Closed
Finding 1.3	Closed
Finding 2.1	Closed

Finding 1.1 – Corporate Governance

Category		Corporate Governance
Finding		There is insufficient evidence of board oversight by the Firm of AML/CFT/FS related issues.
Status		Closed
Details		<p>The Board of Directors of a designated person have ultimate responsibility to ensure compliance with the CJA 2010. As at 7 March 2018, the Firm's board comprises of seven executive directors, one of whom acts as the Firm's Money Laundering Reporting Officer. As part of the Central Banks initial request for information, board-meeting minute extracts referencing AML/CFT/FS were requested. In response and in the course of the inspection, the Firm had provided board meeting minutes referencing AML/CFT/FS from January 2016 onwards. The Central Bank notes that the Firm are unable to provide sufficient evidence of Board consideration of AML/CFT/FS prior to this date, notwithstanding statements from the MLRO that AML/CFT/FS was considered by the Board.</p> <p>The Central Bank notes that while AML/CFT has been a standing agenda item for the last two years, from review of the board meeting minutes provided the Firm were unable to demonstrate discussion and approval of the Firm's AML/CFT/FS Policies and Procedures, business wide risk assessment and MLRO reporting on a regular basis. The Central Bank also notes that the Firm indicated at interview that it was the Firm's intention to report to the board with regards to AML/CFT on a quarterly basis commencing shortly following the inspection.</p>
Proposed Actions	1	The Firm must ensure that there is an appropriate level of engagement and challenge by the Firm's Board in relation to AML/CFT/FS. The Firm must ensure that AML/CFT/FS issues and decision making in relation to AML/CFT/FS is satisfactorily evidenced in the Firm's board meeting minutes to demonstrate to the Central Bank that the firm is meeting its obligations pursuant to the CJA 2010.

				2	The firm’s MLRO should provide an AML/CFT/FS report to the Board on at least an annual basis, which provides both qualitative and quantitative information on AML/CFT/FS matters. The Firm are to provide evidence of the MLRO reporting presented to the Board in 2018 and evidence of Board consideration.
Respondent	Finding	Action	Date	Correspondence	
Finding 1.1 – Action 1					
Firm	1.1	1	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.	
CBI	1.1	1	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.	
Firm	1.1	1	16/03/2019	First Ireland confirm that AML/CFT/FS is firmly embedded in the firm’s governance, risk assessment and compliance framework and is on the Agenda as a discussion topic for each Board Meeting, The firm understands that the ultimate responsibility for the business and its compliance rests with the board and senior management. The board of directors understand it is their responsibility to reinforce the tone at the top approach, driving a culture of compliance and ethics and ensuring effective implementation of an effective risk management process including issues and decision making in relation to AML/CFT/FS is satisfactorily evidenced in board meeting minutes 2	
CBI	1.1	1	01/08/2019	The Central Bank notes the Firm’s response and the documents provided for review. The Central bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.	
Finding 1.1 – Action 2					
Firm	1.1	2	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.	
CBI	1.1	2	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.	
Firm	1.1	2	16/03/2019	We have provided the following documents for your attention: 1. Annual Risk Assessment dated 23rd February 2019 2. Updated Policy and Procedures 3. MLRO Half Yearly Report dated 20th November 2018 4. MLRO Annual Report dated 25th February 2019 5. Board Meeting Minute Extract dated 20th November 2018 6. Board Meeting Minutes Extract dated 1st March 2019 First Ireland confirm that the MLRO will report to the board on a half yearly basis, upon reflection Linda Gallagher advised that quarterly was not required based on our low risk profile.	
CBI	1.1	2	01/08/2019	The Central Bank notes the Firm’s response and the documents provided for review. The Central bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.	

Finding 1.2 – Corporate Governance

Category	Corporate Governance
Finding	Practices in place at the Firm with regard to the Firm’s business wide ML/TF risk assessment require enhancement.
Status	Closed

Details	<p>The Central Bank notes that while the MLRO has stated that the first ML/TF risk assessment was carried out in 2010 and on an annual basis thereafter, the Firm was unable to provide evidence of such assessments or the consideration and approval by the Firm's Board of such assessments.</p> <p>The Central Bank notes that the Firm conducted an assessment of its ML/TF risks in Q1 2018 and presented this to the Firm's board for consideration and approval on 20 February 2018. The Central Bank also notes the MLRO's summary notes from board discussion on the Firm's risk assessment (dated 21 February 2018). Authorised Officers note that while this process demonstrates consideration of the Firm's customers, products, geography and distribution channel from an ML/TF perspective the risk assessment does not clearly set out, <i>inter alia</i>:</p> <ul style="list-style-type: none"> • Consideration of the Firm's exposure to ML/TF risk on an inherent risk basis; • The adequacy of the Firm's control environment; • An overall conclusion on the Firm's residual risk following an assessment of the inherent ML/TF risk, the Firm's exposure to such risk and the adequacy of the Firm's AML/CFT/FS control environment. <p>Authorised Officers further note that documentation of the Firm's ML/TF is disjointed with elements contained in the Firm's AML/CFT Policies and Procedures, dated February 2018, and elements in the Firm's risk assessment document, dated 21 February 2018.</p>
Proposed Actions	<p>1</p> <p>The Firm is required to ensure that the Firm's ML/TF risk assessment document is not disjointed, and includes adequate documentation of the methodology which underpins the Firm's ML/TF Risk Assessment. This should include and fully take account of, <i>inter alia</i>, the inherent ML/TF risk associated</p>
	<p>with the Firm's business, the Firm's exposure to such risk, the adequacy of the AML/CFT/FS control environment and a conclusion of the Firm's residual risk.</p>

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				2	The Firm must ensure that it's ML/TF risk assessment is subject to regular and scheduled updates/reviews at least annually or more frequently as required to reflect any changes to the business activities of the firm, any changes in their assessment of risk categories and any legislative/regulatory changes;
				3	The ML/TF risk assessment is to be approved by the firm's full board and evidence of this consideration and approval documented in the firm's board meeting minutes. The Firm is requested to provide, by 16 March 2019, evidence of the consideration and approval of the February 2018 risk assessment by the Board.
Respondent	Finding	Action	Date	Correspondence	
Finding 1.2 – Action 1					
Firm	1.2	1	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.	
CBI	1.2	1	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.	
Firm	1.2	1	16/03/2019	First Ireland have noted the comments in relation to the firm's ML/TF risk assessment document and have since carried out an Annual Risk Assessment February 2019, copy attached. In addition, the firm have conducted a comprehensive review of the Policy and Procedures in conjunction with the CJA 2018.	
CBI	1.2	1	01/08/2019	The Central Bank notes the Firm's response and the documents provided for review. The Central bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.	
Finding 1.2 – Action 2					
Firm	1.2	2	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.	
CBI	1.2	2	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.	
Firm	1.2	2	16/03/2019	The firm has scheduled to review the ML/TF risk assessment document at least annually and aim to conduct these reviews in February of each year or more frequently as required to reflect any changes to the business activities of the firm, any changes to the firm's assessment of risk categories and any legislative/regulatory changes. See attached copy of the most recent Risk Assessment document completed in February 2019.	
CBI	1.2	2	01/08/2019	The Central Bank notes the Firm's response and the documents provided for review. The Central bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.	

Finding 1.2 – Action 3

Firm	1.2	3	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.
CBI	1.2	3	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.
Firm	1.2	3	16/03/2019	See attached evidence of the most recent Board Minutes dated 1st March 2019, which notes consideration and approval of the February 2019 Risk Assessment by all board members.
CBI	1.2	3	01/08/2019	The Central Bank notes the Firm's response and the documents provided for review. The Central bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.

Finding 1.3 – Corporate Governance

Category				Corporate Governance
Finding				The Firm did not demonstrate that the Firm's AML/CFT/FS Policies and Procedures (P&Ps) are subject to review and approval on a regular basis.
Status				Closed
Details				While the Central Bank notes that the Firm reviewed and submitted revised P&Ps to the Board for approval in February 2018, the Firm was unable to demonstrate that it has reviewed (and updated where required) the P&Ps on a regular basis, annually at a minimum. The Central Bank also notes that the Firm is unable to demonstrate consideration and approval of the 2013 & 2011 versions of the P&Ps by the Board. The Central Bank notes that the Firm is due to update the Firm's P&Ps in February 2019.
Proposed Actions			1	The Firm must ensure that the Firm's AML/CFT/FS Policies and Procedures document is subject to regular and scheduled reviews at least on an annual basis at a minimum or more frequently as required, to reflect any changes to the business activities of the Firm and any regulatory or legislative changes. The Firm is to demonstrate this by 16 March 2019.
			2	The Firm is to demonstrate consideration and approval by the Board of the Firm's AML/CFT/FS Policies and Procedures document by 16 March 2019.
Respondent	Finding	Action	Date	Correspondence
Finding 1.3 – Action 1				
Firm	1.3	1	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.
CBI	1.3	1	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.
Firm	1.3	1	16/03/2019	First Ireland confirm that the AML/CFT/FS Policies and Procedures will be reviewed in February of each year to reflect any changes to the business activities or any regulatory or legislative changes that occurred in the intervening period.
CBI	1.3	1	01/08/2019	The Central Bank notes the Firm's response and the documents provided for review. The Central bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.
Finding 1.3 – Action 2				

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Firm	1.3	2	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.
CBI	1.3	2	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.
Firm	1.3	2	16/03/2019	The board considered the updated AML/CFT/FS Policies & Procedures and these were approved at the Board Meeting on the 1st March 2019. (See extract of Board Meeting Minute)
CBI	1.3	2	01/08/2019	The Central Bank notes the Firm's response and the documents provided for review. The Central bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.

Finding 2.1 - Training

Category	Training
Finding	The Firm could not demonstrate that all staff, directors had received appropriate AML/CFT/FS Training.
Status	Closed
Details	<p>Authorised Officers reviewed the following documentation submitted by the Firm in response to the pre-inspection request for information:</p> <ul style="list-style-type: none"> - AML/CFT/FS Policy and Procedure (February 2018) - AML Training Monitoring Procedures - Training Records (including Board, Financial Services and Other Staff) - Training Materials (including First Ireland Academy AML Course) <p>From a review of the materials provided and the Firm's responses at interview the Central Bank notes that:</p> <ul style="list-style-type: none"> i) With regards to training carried out prior to 2016, the Firm is unable to evidence AML/CFT training carried out by the Firm's directors with the exception of the MLRO, one director who carried out training in 2011 & 2012 and another director who carried out training in 2012; and ii) The Firm were unable to demonstrate staff have undertaken the appropriate AML/CFT/FS training in 2015 iii) In some instances, the Firm were unable to demonstrate that the content of training was sufficiently tailored to the Firm's product line or local legislation e.g. 2017 training provided.

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Proposed Actions				1	The Firm must ensure that all relevant staff including Directors (both executive and non-executive receive appropriate AML/CFT/FS training on an annual basis and that attendance at this training is documented and evidenced.
Respondent	Finding	Action	Date	Correspondence	
Finding 2.1 – Action 1					
Firm	2.1	1	15/11/2018	As per correspondence dated 15 November 2018, the Firm confirms the facts noted are accurate.	
CBI	2.1	1	21/11/2018	The Central Bank requests that the Firm demonstrate completion of action by 16 March 2019.	
Firm	2.1	1	16/03/2019		
CBI	2.1	1	01/08/2019	The Central Bank notes the contents of the annual MLRO report in relation to the AML/CFT/FS training completed by all relevant staff and Directors. The Central Bank has no further queries at this time in relation to this action. The Central Bank considers this action now closed. Please note the Central may review this area as part of any future supervisory engagements with the Firm.	