

AML Solutions Group

Appointing a Money Laundering Reporting Officer (“MLRO”) to a Fund

Requirement to appoint a MLRO and Controlled Function regime

The Central Bank of Ireland requires regulated funds to appoint a MLRO. The Central Bank has prescribed the role of MLRO as “Controlled Function 2: Ensuring, controlling or monitoring compliance by a regulated finance service provider with its relevant obligations.”

MLRO Responsibilities

The MLRO’s statutory responsibility set out within the Criminal Justice Act is to consider whether money laundering suspicions need to be reported to the Garda Síochána and Revenue Commissioners and to make any necessary reports.

However, because the fund and its directors cannot delegate responsibility for the AML Programme carried out by its service providers, we recommend that support is obtained from the MLRO for more than the statutory obligation. We recommend that the MLRO should also be contractually made responsible for:

1. reviewing the fund’s or management company’s AML policy for compliance with relevant statutory requirements;
2. reviewing the AML processes that implement that AML policy (usually carried out by the Administrator); and
3. reporting regularly to the Board so they can satisfy themselves that the policy is being implemented, that the Fund’s Anti-Money Laundering/Counter Terrorist Financing risk profile remains within their risk appetite and that any issues are being resolved.

Fitness and probity

The Board should confirm that the MLRO meets the Central Bank’s fitness and probity standards (“the Standards”) and that the individual has agreed to abide by those Standards.

Residence

There is no requirement for the MLRO to be physically based in Ireland although we would recommend that there is at least a periodic physical attendance at board meetings held in Ireland.

Central Bank notification

While there is no specific requirement to notify the Central Bank of the appointment of the MLRO, it is usual practice for the Company Secretary to notify the Central Bank of such an appointment.

Contractual Terms

When the services of a MLRO are supplied by a third party, the Central Bank expects that there should be a written agreement in place between the fund/management company and the provider. As well as setting out the duties of the MLRO described above and standard contractual terms, the agreement should also cover:

- how fitness and probity requirements will be met;
- that the provider will require the MLRO to abide by the Standards;
- fee arrangements;
- indemnity arrangements; and
- data and information security arrangements.

Checklist for Appointing a Fund MLRO

Task	Completed
Ensure evidence of fitness and probity of MLRO	
Agree contractual terms	
Approve appointment at Board meeting	
Notify Central Bank of appointment of individual as CF2	

About AML Solutions

AML Solutions Group offers a range of services to assist the boards of firms and funds meet their anti-money laundering obligations. We provide practical, expert advice on how to meet requirements in Ireland and the UK.

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Effectiveness**

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