

# AML Solutions Group

## **CENTRAL BANK AML INSPECTIONS OF FUNDS: EMERGING THEMES**

The Central Bank is shortly due to publish the results of its AML Inspections of Funds carried out in 2015. This follows on the back of the publication earlier this year of its findings from similar reviews in the Banking and Credit Union sectors. The Central Bank has already given a heads up on some of its high level findings in recent industry conferences. It is likely to conclude that more work is required by Funds and Fund Service Providers (such as Administrators) to effectively manage AML risks. Some examples include:

### **Not enough engagement by Boards and Senior Management to mitigate risks identified in risk assessments.**

In particular the Central Bank is concerned there is a lack of evidence of effective oversight of the AML processes delegated to Administrators by Fund Boards. Our advice to Fund Boards is to ensure that if they are placing reliance on a third party's AML procedures then there is a clear audit trail in their Board documentation that evidences:

- a) an informed assessment of whether those procedures comply with regulatory standards. This could be performed by the Fund MLRO assuming he is suitably independent of from the delegate;
- b) there is a monitoring programme and escalation process agreed by the Board to provide assurance that the delegate is following its own procedures; and
- c) there is ongoing discussion of findings and relevant metrics at the Board to evidence ongoing supervision.

**A lack of ongoing action when due diligence documentation for investors is outstanding for a significant period of time.**

While we await what, if any, new regulatory expectations may emerge in this area, we would recommend that Boards set their own trigger dates to consider how to deal with overdue DDD. Our experience shows that a number of boards have set a limit of 60 or 90 days for overdue DDD, after which there is enhanced management supervision on how to make the investor compliant.

**A lack of assurance testing completed on third party reliance arrangements pursuant to Section 40 of the CJA 2010.**

We would recommend that Boards and the Fund MLRO clearly understand what the arrangements employed by their delegate are in relation to reliance on third parties. Testing in this area should be included in the AML monitoring and testing plan.

**Lack of a robust/meaningful transaction monitoring process for underlying investors and limited STR reporting.**

This is likely to be an area where many Funds and Administrators could make improvements. Again Boards should fully understand what processes are being employed to do this and compare this to the findings of the Central Bank once they are published.

**Limited on-going monitoring completed on high risk investors including PEPs.**

Approaches vary in this area but the Board should ensure it has examined and approved the processes it is relying on to meet its obligations. Whether the Central Bank plans to be more prescriptive in this area remains to be seen.

Contacts:

Craig Josephson: [craig.josephson@amlsolutionsgroup.com](mailto:craig.josephson@amlsolutionsgroup.com)

Sam Stewart: [sam.stewart@amlsolutionsgroup.com](mailto:sam.stewart@amlsolutionsgroup.com)