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# Bank of Ireland

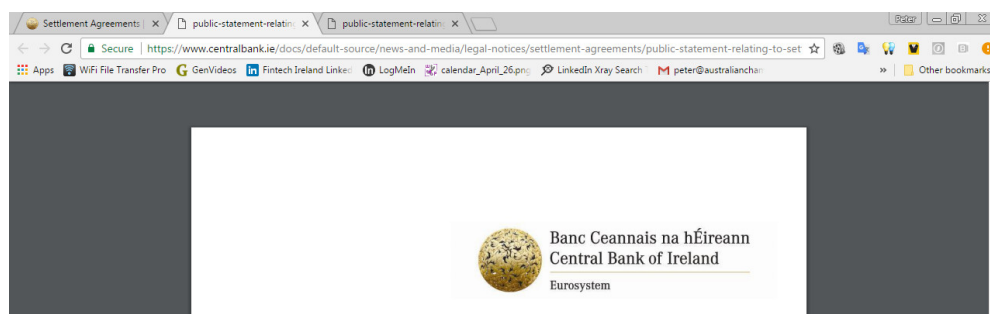


## For small steps, for big steps, for life

## The Governor and Company of the Bank of Ireland agrees monetary penalty of €3,150,000 for AML/CFT compliance failures

Published on May 30, 2017

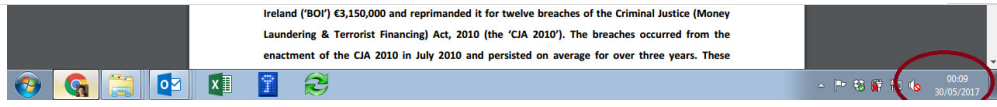
A few minutes after midnight (Irish time) on Tuesday 30 May 2017, there appeared notice on the Central Bank of Ireland's website announcing it has reached a settlement agreement with The Governor and Company of the Bank of Ireland (BOI) in the amount of €3,150,000 in respect of anti-money laundering (AML) and counter-terrorist financing (CTF) compliance failures.





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*The two largest domestic Irish banks have agreed monetary penalties of just over €5.4 million in the past month or so. Add the AML/CTF settlement with Ulster Bank Ireland in late 2016, and the figure rises to circa €8.7 million.*

This agreed penalty grosses up total monetary penalties to €60.148 million from 109th settlement in 11 years.

The monetary penalty agreed by BOI at €3.150 million includes a 30% discount for early settlement, meaning the fine could have otherwise been €4.5 million. The announcement of the BOI action follows a previous settlement by AIB in April 2017 for AML and CTF failures resulting in a €2.275 million monetary penalty (see <https://www.linkedin.com/hp/update/6262886207605211136>). In total, the two largest domestic Irish banks have agreed monetary penalties of just over €5.4 million in the past month or so for AML & CTF compliance failures. Add the AML/CTF settlement with Ulster Bank Ireland in late 2016, and the figure rises to circa €8.7 million.



In addition to the fine BOI was reprimanded for twelve breaches of the Criminal Justice (Money Laundering & Terrorist Financing) Act, 2010 (the CJA 2010) which occurred from July 2010 (the time when the CJA 2010 was enacted) and persisted on average for over three years. The “significant failures in BOI’s AML/CFT controls, policies and procedures” included failures relating to:

- Risk assessment: assessment of money laundering/terrorist financing (ML/TF) risks specific to its business and the relevant mitigating systems and controls.
- Suspicious transaction reports: reporting of six suspicious transactions to An Garda Síochána and the Revenue Commissioners without delay.
- Correspondent banking: conduct of enhanced customer due diligence (CDD) on one correspondent bank situated outside of the EU.

The Central Bank also identified areas of non-compliance with the CJA 2010 in relation to BOI’s trade finance business, CDD measures and its reliance on third parties to conduct CDD.



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## Bank of Ireland fined €3.15m by Central Bank

### Background

BOI is authorised as a credit institution and is one of the largest banks in Ireland with over 250 branches, over 1.7 million consumer banking customers and in excess of 200,000 business banking customers. Its principal activities consist of retail and commercial banking.

During 2013, the Central Bank conducted a review of BOI’s compliance with the CJA 2010, identifying a number of issues concerning suspected non-compliance with the CJA 2010. BOI subsequently commenced remediation of the issues identified and an investigation into suspected breaches of the CJA 2010 commenced.

### Prescribed Contraventions

The investigation identified twelve breaches of the CJA 2010, relating to the following areas:

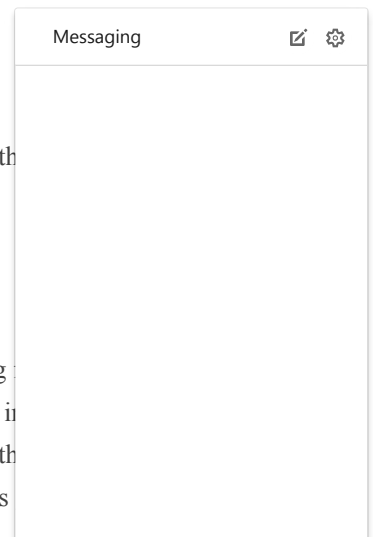
#### *Risk Assessment*

For the year 2012, BOI’s risk assessment was inadequate as the risk rating categories of customers, products and channels was not included in every instance and that information was identified as necessary for the evaluation of risk for the above categories. Furthermore, for the years 2012 and 2013, BOI did not address sectoral risks in its risk assessments.

#### *Reporting of Suspicious Transactions*

The Central Bank identified a number of failures in BOI’s policies and procedures, under Section 54 of the CJA 2010, for the reporting of suspicious transactions:

- BOI failed to have adequate checking processes for internal escalation and submission





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information on the volume and duration of alerts awaiting investigation.

In addition and significantly, BOI failed to report six suspicious transactions to An Garda Síochána and the Revenue Commissioners as soon as practicable, as required by Section 42 of the CJA 2010.

### *Correspondent Banking*

The Central Bank identified the following failures by BOI to comply with the requirements of the CJA 2010:

- BOI failed to document the respective AML/CFT responsibilities with one correspondent banking party when providing banking services to one non-EU bank, as required by Section 38(1)(e).
- BOI failed to adopt policies and procedures, under Section 54 of the CJA 2010, to ensure that enhanced CDD would be applied to correspondent banking relationships with non-EU banks.

### *Trade Finance*

The Central Bank identified the following failures under Section 54 of the CJA 2010:

- BOI failed in its procedures to document the inherent ML/TF risks specific to the trade finance business (including identifying potentially suspicious activity i.e. “trade finance red flags”) and the specific operational controls to mitigate and monitor those risks.
- BOI failed to provide sufficient specific training on suspicious activities relevant to the trade finance business.

### *Customer Due Diligence*

The Central Bank identified the following failings in relation to BOI’s approach to CDD:

- BOI provided banking services to one non-resident PEP customer without applying the enhanced CDD measures, set out in Section 37(4)(b) of the CJA 2010, which required BOI to determine the customer’s source of funds (SOF) and source of wealth (SOW).
- BOI failed to adopt policies and procedures, under Section 54 of the CJA 2010, to ensure that information and supporting documents in respect of SOF and SOW were routinely: (i) requested from new non-resident PEP customers, and (ii) monitored when such customers were periodically reviewed.



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BOI failed to adopt procedures, under Section 37 of the CJA 2010, to comply with Section 33(8) of the CJA 2010 where customers had not provided the required CDD information or documentation.

### *Third Party Reliance*

The Central Bank identified that BOI failed to satisfy the conditions set out in Section 40(4) by relying on a third party to conduct CDD for 178 corporate customers where BOI's contractual arrangements did not satisfy the conditions set out in Section 40(4) of the CJA 2010.

### Penalty Decision Factors

In deciding the appropriate penalty to impose, the Central Bank considered the following matters:

- The seriousness with which the conduct is viewed, particularly given BOI's central role in the financial services system and the high risk nature of retail banking business in terms of ML/TF.
- The extended period of time over which the breaches occurred, spanning the period from 15 July 2010 to 18 December 2015.
- The co-operation of BOI during the investigation and in settling at an early stage in the Central Bank's Administrative Sanctions Procedure.
- The actions taken by BOI to remediate the breaches.

The Central Bank confirms its investigation into BOI in respect of this matter is closed.

*Peter Oakes is a non-executive director of financial services companies and board advisor on risk and strategy for companies operating globally, particularly those focused on Europe, USA and Australiasia. He is an advisor to regtech and fintech firms and also advises boards and their companies on dealing with Central Banks' and Regulators' investigations and enforcement actions. [www.peteroakes.com](http://www.peteroakes.com) / [www.fintechireland.com](http://www.fintechireland.com)*

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#### Leslie Shaw

President at FIRM

12mo ...

Not surprised, Ireland is not only a banana republic but a hotbed of jihad funding and travel planning.

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12mo ...

That seems a bit harsh Leslie. But respect your opinion.

Like Reply

#### Habeeb Rahman S Rahman

Regional Manager at Bank

12mo ...

Often banks take compliance for granted and they pay heavily for that.

Like Reply



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