



COVID-19 and the Implications for AML Compliance

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Anti-Money Laundering (AML) Compliance and COVID-19 Implications

During these challenging times members are reminded of their obligations under the [**Criminal Justice \(Money Laundering and Terrorist Financing\) Acts 2010 to 2018**](#). The current work restrictions and consequences of the COVID-19 pandemic pose additional challenges for accounting firms in many aspects of their work including the requirements of the AML legislation.

With regard to AML obligations the following difficulties may arise for accountancy firms;

- Difficulties meeting new clients face to face
- Difficulties sourcing copies of original documentation
- Increased level of financial crime

We have set out below some guidance and tips for meeting your AML obligations during this time.

Difficulties meeting new clients face to face

One of the great advantages of the accountancy profession in the tackling of money laundering, is that in general clients are engaged with on a face to face basis.

However currently due to issues such as self-isolation, illness and lockdown restrictions etc., it may be increasingly difficult to meet clients on a “face to face” basis.

If traditional “face to face” meetings with new clients cannot be facilitated, it would be advisable to approach AML compliance and the delivery of services to new clients more cautiously.

Advances in technology now provide for many possibilities to engage face to face with new clients by video or other means, allowing enhanced engagement with new clients and also assisting with the verification of client identity. These technologies should be explored.

Where this cannot be facilitated, the reasons for non -facilitation should be considered, and the client risk assessment conducted and documented.

Delivery channel risk could be increased where services/products are provided to clients who have not been met face-to-face.

The result of the client risk assessment may be that such a client is assessed at a higher risk level than normal and enhanced due diligence measures required. See [**CCAB-I AML Guidance for Members**](#) and in particular chapter 5.

Difficulties sourcing copies of original documentation

The COVID-19 work restrictions may result in difficulty in obtaining access to the normal original client identification documentation such as passports, utility bills etc.

Again, technologies can be explored here to obtain good quality copies that may bridge a time period until access to original documents can be obtained.

Chapter 5 of the CCAB-I AML Guidance for Members, provides relevant guidance on this matter and can be found in Appendix one to this document.

Again, the client risk assessment should consider the type of service being requested, the type of client (industry) etc. All these factors should inform the overall client risk assessment and the firm's subsequent approach to AML compliance.

Documentation

Documentation of judgements arrived at during this difficult time is key. All decisions made and attempts to manage the AML process should be documented.

Additional Financial Crime Threat

Also at this time we note additional warnings from institutions such as [Interpol](#) and the [Financial Action Task Force](#) for individuals to be vigilant as we face additional financial fraud and exploitation scams.

In particular FATF have advised that "criminals are taking advantage of the COVID-19 pandemic to carry out financial fraud and exploitation scams, including advertising and trafficking in counterfeit medicines, offering fraudulent investment opportunities, and engaging in phishing schemes that prey on virus-related fears. Malicious or fraudulent cybercrimes, fundraising for fake charities, and various medical scams targeting innocent victims are likely to increase, with criminals attempting to profit from the pandemic by exploiting people in urgent need of care and the goodwill of the general public and spreading misinformation about COVID-19. National authorities and international bodies are alerting citizens and businesses of these scams, which include impostor, investment and product scams, as well as insider trading in relation to COVID-19. Like criminals, terrorists may also exploit these opportunities to raise funds."

Interpol have listed the following evolving threats:

- Marked increase of cyber threats including malicious domains, malware and ransomware
- Health service providers and essential products outlets increasingly targeted as critical infrastructure
- Fraudulent and counterfeit trade in personal protective equipment (PPE) and anti-viral pharmaceuticals
- Increased drug commerce via social media, encrypted apps and the Darknet
- Individuals and businesses on reduced incomes potential targets of loan sharks

The report also includes exclusive insights by police chiefs from around the world, ensuring information is shared directly by those currently shaping and implementing national law enforcement responses.

Useful AML links and Guidance

The following AML links and guidance may be of assistance;

[CPA Ireland's AML Resource](#)

[CPA Ireland's COVID-19 Resource](#)

[Financial Action Task Force](#)

[Interpol](#)

Appendix One

Extract from Chapter 5 of CCAB-I AML Guidance for Members

5.4 What happens if CDD cannot be performed?

When delays occur

5.4.1 In forming new business relationships, there are some cases where delay may be acceptable, such as in urgent insolvency appointments, and urgent appointments that involve ascertaining the legal position of a client or defending the client in legal proceedings.

5.4.2 In such cases, accountancy firms should still gather enough information to allow them to at least form a basic assessment of the identity of the client and money laundering risk and to complete other acceptance formalities such as considering the potential for conflicts of interest.

5.4.3 In other cases, where the majority of information required has been collected before entering a business relationship, short time extensions to complete collection of remaining information may be acceptable, provided this is caused only by administrative or logistical issues, and not by any reluctance of the client to provide the information and is necessary not to interrupt the normal course of business. Such extensions should be exceptional, rather than the norm. It is recommended that such extensions of time are considered and agreed by a member of senior management or the MLRO, where appointed in accordance with the firm's procedures, to ensure the reasons for the extension are valid and do not give rise to concern over the risk category of the client or the potential for money laundering suspicion.

5.4.4 Provided that CDD is completed as soon as practicable, verification procedures may be completed during the establishment of a business relationship if it is necessary not to interrupt the normal course of business and there is little risk of MLTF. In some situations, it may be necessary to carry out CDD while commencing work because it is urgent. Such situations could include:

- ☐ some insolvency appointments;
- ☐ appointments that involve ascertaining the client's legal position or defending them in legal proceedings;
- ☐ response to an urgent cyber incident; or
- ☐ when it is critically important to preserve or extract data or other assets without delay.

5.4.5 If evidence is delayed (rather than refused), accountancy firms should consider;

- ☐ the credibility of the client's explanation;
- ☐ the length of delay;
- ☐ whether the delay is in itself reasonable grounds for suspicion of a money laundering offence requiring a report to FIU Ireland and the Revenue Commissioners and/or a factor indicating against acceptance of the client and engagement; and
- ☐ documenting the reasons for delay and steps taken.

5.4.6 No client engagement (including transfers of client money or assets) should be completed until

CDD has been completed in accordance with the firm's own procedures.

For further details click [here](#).