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Ireland especially attractive to money launderers, says expert

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Eoin O'Shea says Ireland needs to be vigilant about the dangers of dirty money flows

Ireland's financial system must remain alert to the possibility that "bad actors", such as terrorists or drug cartels, may try to launder their ill-gotten gains through Irish banks, an international banking compliance expert has warned.

Irish-born Eoin O'Shea, the former global head of compliance at Credit Suisse, runs the international consultancy Temple Grange Partners. He was speaking in Dublin where he is training compliance executives from major Irish banks.

"Ireland is especially attractive to the launderer in many ways. The same things that attract business attract bad actors, there are more places to hide the dirty money flows. It is English speaking, GMT time zone, low corporate tax and has a very progressive, pro-business pitch to attract regional and global business hubs," he said.

"But those hubs come with significant money-laundering challenges. Remember every hub or HQ relocating in Ireland carries the legacy and future laundering risk of all of its overseas downstream companies," said Mr O'Shea.

The Banking and Payments Federation of Ireland (BPFI), whose members include all the Irish banks as well as the local branches of international institutions operating here, such as Barclays and BNP Paribas, has organised the compliance training.

Latvia

Mr O'Shea, who has set up his consultancy with backing from senior City of London financier Michael Spencer, has recently been advising institutions in Latvia, whose banking system was rocked earlier this year by money-laundering scandals.

"Ireland needs to pay close attention. The global wall of bad actor money, hundreds and hundreds of billions, that sought to abuse the Latvia system has not gone away just because it has been shut out of Latvia," said Mr O'Shea.

Latvian banks have in recent months begun reverting to a domestic client-only model, in order to purge it of foreign "bad actor" accounts and restore confidence in its system.

Ironically, Mr O'Shea says, Ireland's track record as a relatively "clean" economy and banking system could attract "bad actors" to target the system here.

"The fact is bad money likes to get into financial systems with good reputations. The whole point of laundering is for the money to come out looking cleaner than it went in," he said.

Vigilance

Mr O'Shea warned that the Irish system could become particularly vulnerable to the entry of "bad money" if there was another global financial crisis. He also said the relocation of banks and financial business here due to Brexit presented another potential opportunity.

"Company relocations, funds transfers and re-hubbing all create one-off opportunities for bad money-laundering actors to move money in scale. Vigilance is key," he said.

His focus with the Irish bankers included "financial crime, trade surveillance, sanctions, client screening and some deep dives into the latest technology, all with a practical lens".

Keith Gross, BPFI's head of financial crime and security, said anti-money laundering training was important for Irish banks. "Upskilling members is part of our mandate. Drawing from international experience, and European experience is important, giving members a chance to share experiences, trends and typologies in the world of financial crime," he said.