

FIAU

Financial
Intelligence
Analysis Unit
Malta



Annual Report
2021

Financial Intelligence Analysis Unit

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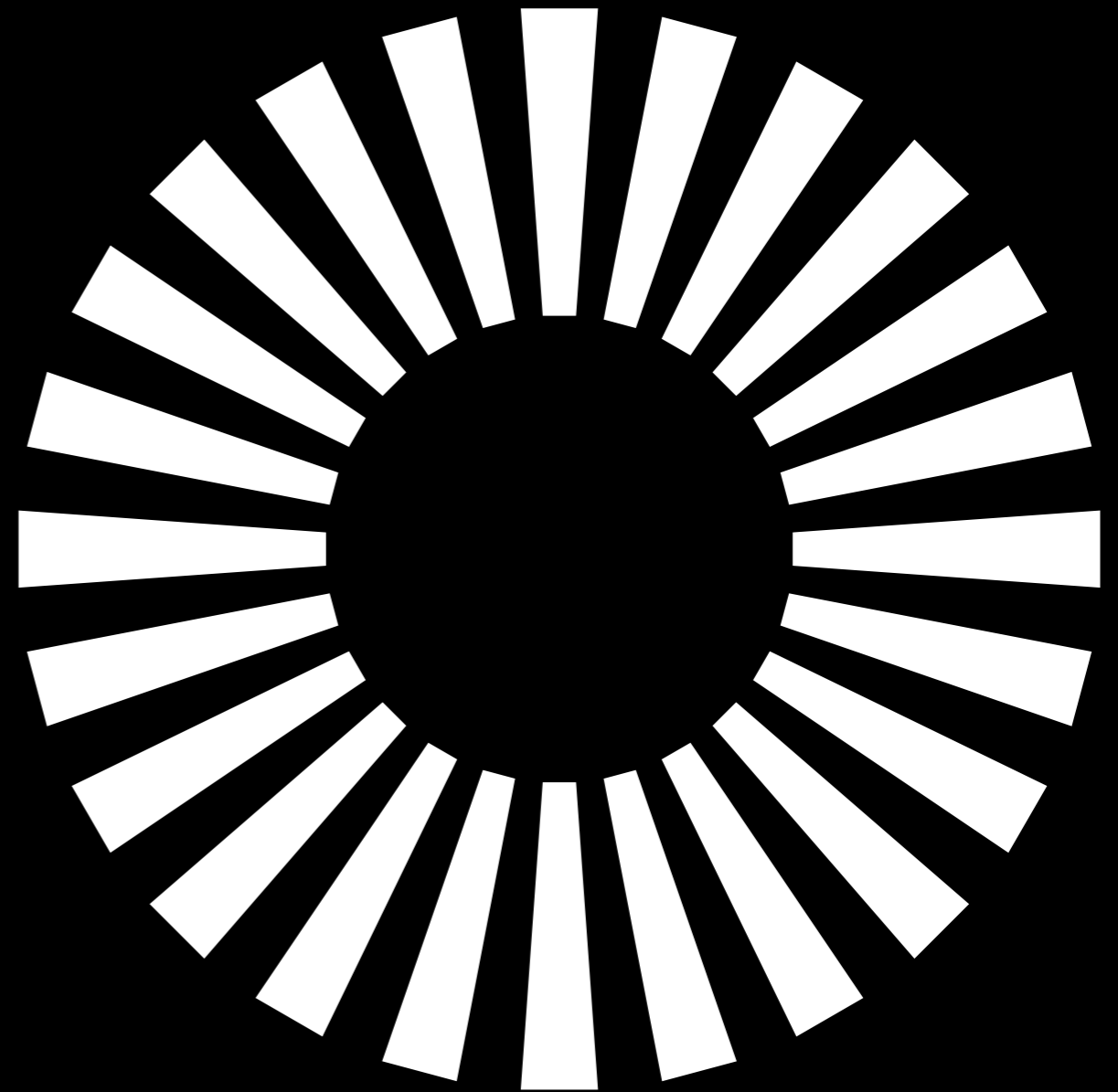




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Mission Statement

To persevere in the fight against money laundering and funding of terrorism by ensuring that we operate independently, and with integrity, in carrying out our functions of Malta's Financial Intelligence Unit and AML/CFT regulatory and supervisory authority.



Values



Integrity



Trust



Passion



Perseverance



Meticulousness



The Board of Governors of the FIAU

The Board of Governors of the FIAU is established in accordance with Article 19 of the Prevention of Money Laundering Act (PMLA), which ensures that the Board of Governors is distinct from the Director and his staff. As the non-executive organ of the FIAU, the Board is responsible for the policy to be adopted and executed by the Unit, and is not involved in the execution of any of the operations of the Unit.

During 2021, the Board met ten times and discussed several matters concerning the FIAU's development, its policies and its future strategy and vision. Prominent on the board's agenda was the implementation of the FIAU's action plan and the progress made to address the various recommendations made by international supervisory bodies, particularly in relation to the MONEYVAL report. Following the completion of the process and the FATF's decision in June, the plans and measures being taken to address the delisting process were a priority. The relocation to the new premises due to the ongoing recruitment process, remained on the agenda with regular progress reports discussed. The Board approved various policies and procedures for better and more effective and efficient functioning of the FIAU, approving new teams within the Supervision Section and new roles within the administrative set up of the FIAU.

In 2021, Dr Martin Sammut was replaced by Mr Ramon Mercieca and Mr Paul Caruana was also appointed to the vacant seat on the Board.



Chairman

Mr Jesmond Gatt
BSc Hons



Deputy Chairman

Dr Stefania Azzopardi
BA MA LLD



Board Member

Mr Paul Caruana
BA (Hons) Criminology



Board Member

Dr Carl Brincat
LLD



Board Member

Mr Ramon Mercieca
BA (Gen)



Letter of Transmittal to the Minister for Finance & Employment

Hon. Minister for Finance and Employment
30, Maison Demandols
South Street
Valletta VLT 1102

Hon. Minister

In accordance with Article 42(1) of the Prevention of Money Laundering Act, Cap 373 of the Laws of Malta, I have the honour to transmit a copy of the Annual Report on the operations of the Unit and a copy of the annual accounts certified by the auditors for the Unit's financial year ended 31 December 2021.

Mr Jesmond Gatt, BSc Hons
Chairman



Chairman's Statement



I am happy to welcome you to the FIAU's Annual Report. When writing the statement for the previous report, my first comment was that 2020 was not a year short of challenges. Little did I know that it would be a well-suited statement for 2021 as well.

During 2021, as part of the community, the FIAU had to contend with the Covid-19 pandemic. This presented several operational challenges which, thanks to the dedication and commitment of all members of staff, the FIAU managed to overcome successfully. However, the biggest challenge in 2021 was the extraordinary effort required to implement the improvements expected by the FATF.

The first half of the year saw the FIAU, together with all other stakeholders, continue the challenging work to ensure that all recommendations made by MONEYVAL were addressed. This was successfully achieved. However, the FATF concluded that in three of the 58 recommendations the country was not sufficiently effective, and these shortcomings were serious enough to place Malta on the so-called grey list.

During the second half of the year, the FIAU once again focused its efforts on addressing the action plan agreed with the FATF. The FIAU, and the relevant stakeholders, took a positive approach to this challenge and saw the FATF scrutiny as an opportunity to improve and become more effective in meeting its obligations.

Throughout the year, the Board of Governors supported and encouraged the Unit and its staff to successfully overcome this challenge. As a policy-making governing body, the Board is not provided with intelligence and supervisory case-specific information. Nevertheless, the Board was continuously updated on the progress being made to address the FATF's concerns through regular reporting and status updates on the implementation of the FATF action plan.

I am convinced that, thanks to the extensive work carried out by the FIAU, the law enforcement agencies, the competent authorities, the entire public administration and, just as significantly, subject persons across the economy, we will achieve the expected results.



During the second half of the year, the FIAU once again focused its efforts on addressing the action plan agreed with the FATF. The FIAU, and indeed the entire Maltese jurisdiction, took a positive approach to this challenge and saw the FATF scrutiny as an opportunity to improve and become more effective in meeting its obligations.

Many have expressed their view that supervisory and enforcement action on financial and other economic operators has increased because of Malta's grey listing. It should be clear that the FATF, on behalf of the international community, together with the public authorities in Malta, expect subject persons and all relevant operators to comply with their AML/CFT obligations as part of the jurisdiction's commitment to fight ML/FT, immaterial of whether the country is grey listed or not.

In its assessment of Malta, the FATF concluded that improvements were necessary to identify cases of inaccurate beneficial ownership information held on Maltese companies and that the FIAU should impose effective, proportionate and dissuasive penalties on gatekeepers when they do not comply diligently with their obligations. The FATF identified areas where improvement was necessary, and the work being carried out by the FIAU therefore acknowledges that there was room for improvement to achieve the expected level of effectiveness.

Over the past years, the FATF's 40 Recommendations were revised, and the European Union has put in place extensive reforms, introducing new requirements and obligations applicable to all subject persons to fight ML and FT. These reforms have inevitably increased the weight of responsibility placed on Subject Persons. However, compliance with the AML/CFT frameworks is necessary to sustain a long term healthy economic context and Malta's good reputation.

The compliance obligations being supervised and enforced by the FIAU are, therefore, not a consequence of grey listing but of international standards and EU legislation that have been strengthened over the past years, and must be applied and enforced. The international community, through the FATF, expects Maltese subject persons to comply with their AML/CFT obligations, and competent authorities, including the FIAU, to effectively supervise and enforce this compliance, now and in the foreseeable future.

The FIAU, therefore, strives to improve the level of compliance by subject persons and to increase the effectiveness of its supervisory function. It does this by seeking to achieve a balance between proportionality and the level of AML/CFT risk. Similarly, when dealing with customers, subject persons must apply the principle of proportionality commensurate with AML/CFT risks.

AML/CFT rules and regulations, and corresponding supervision, are indeed expected to increase soon because of the EU's recently issued ambitious package of legislative proposals in this area. The package includes a proposal to create the new EU Anti-money Laundering Authority with a dual function of EU FIU and AML/CFT supervision; a new Regulation on AML/CFT containing directly applicable rules, including in the areas of customer due diligence and beneficial ownership; and a 6th anti-money laundering Directive containing rules on national supervisors and FIUs.

The FIAU is entrusted with the responsibility to ensure that financial and non-financial operators comply with these standards. It is also entrusted with other responsibilities, not least that of financial intelligence to fight ML and FT, and to support the investigation and prosecution of these and underlying crimes. The Unit will continue to carry out its duties as expected of it. For this purpose, work has already commenced on a renewed strategy for the coming years that will see the FIAU continue to grow, strengthen and consolidate itself as Malta's AML/CFT supervisory authority and FIU.

The Board is proud to be responsible for the governance of the FIAU, whose officials conduct their duties with professionalism, determination and, above all, integrity and independence. As Chairman, I cannot conclude this brief statement without thanking the Board of Governors for their input, and, on their behalf, expressing my gratitude and appreciation to the management and staff of the Unit for their dedication, commitment and loyalty to the Unit, without which the work done, and progress achieved, throughout this year would not have been possible.



Director's Welcome



Once again, I invite you to read through the Financial Intelligence Analysis Unit's 2021 Annual Report. This is the fifth annual report published under my tenure, and I am pleased to share with you our efforts and progress for yet another year.

I would like to start this welcome with a note of heartfelt thanks to all FIAU employees and their families. Without their dedication, passion, patience and understanding in the course of some very trying circumstances, we would not have pulled through to make 2021 the year it was, with its successes and challenges faced head on.

The year under review proved to be another challenging one for the FIAU. During 2020 and the first part of 2021, the FIAU, together with all concerned entities, was actively working to address all the 58 recommended actions made by Malta's MONEYVAL report of 2019. This was done with the added difficulties and operational constraints presented by the pandemic. Notwithstanding, as you will read in this annual report, much was achieved in 2021; yet more still needs to be done.

This is particularly true in view of the Financial Action Task Force grey listing of Malta in June 2021. While the work done to address the MONEYVAL technical recommendations, prior to the June FATF Plenary, was acknowledged by MONEYVAL, who concluded that all action points were addressed, the FATF felt that there were three partially outstanding effectiveness issues out of the original 58 that required further work and improvement.

These concerned the imposition of effective, proportionate and dissuasive sanctions in cases of non-compliance with obligations regarding beneficial ownership information; the need for increased focus of the FIAU's financial analysis on money laundering suspicions related to serious tax offences; and the enhanced use of FIAU intelligence in support of the detection and investigation of these offences.

On the basis of these three partially met recommendations, the FATF Plenary decided to place Malta on the grey list and an action plan was agreed to address them. Therefore, the second half of the year saw extensive work being carried out to implement the action plan and to achieve a higher level of effectiveness in the areas indicated, as expected by the FATF.



The FIAU is a strong and operationally independent financial intelligence agency with a forward-looking approach.

The work and time dedicated to improve our operations and effectiveness in the areas indicated by the FATF does not mean that we gave less importance to our other functions. In fact, as this report and the statistics clearly show, as a result of the hard work of our dedicated staff and the increase in resources, we managed to achieve more compared to 2020 and previous years. Often working under intense pressure, all sections in the FIAU excelled at their work and contributed to the results, achievements and success of the FIAU during 2021. The FIAU believes that failure is not the opposite of success, but it's a steppingstone to success. For this I am grateful, and I am very proud of the FIAU team.

The Intelligence Analysis Section dealt with a record number of Suspicious Transaction Reports (STRs), which increased from 5,175 in 2020 to 7,218 in 2021. It put together an extraordinary number of intelligence reports and shared them with the Malta Police Force and other competent authorities, as necessary; and co-operated and exchanged information with both local and foreign competent authorities and counterpart FIUs. The Intelligence Analysis Section also engaged in a number of strategic analytical exercises aimed at assessing, among others, the quality of STRs, the money laundering risk arising from tax crimes and gaining further knowledge on red flags, typologies and trends based on the STRs and intelligence analysed.

The Supervision Section strengthened its risk assessment process through enhancements to the Risk Evaluation Questionnaire and the CASPAR system. The Section increased its supervisory action and focused on targeted examinations to monitor subject persons' compliance with beneficial ownership obligations. This Section also saw the introduction of two new teams, the Remediation Team, and the Cooperation and Quality Team.

The Enforcement Section was provided with additional resources to increase its working capacity and to effectively carry out its function of assessing the nature and seriousness of potential AML/CFT breaches identified by the Supervision Section and to recommend the imposition of measures or sanctions to the Compliance Monitoring Committee for such breaches.

2021 saw an increase in enforcement action in line with the FIAU's efforts to be more effective in ensuring compliance by subject persons. This resulted in 139 fines issued for a total of €11,805,169 to various subject persons for a broad spectrum of infringements and breaches. This was done in accordance with enforcement policies, procedures and tools, to ensure that measures and fines imposed are proportionate, dissuasive and effective.

All FIAU enforcement procedures and tools were discussed, reviewed and cleared with a number of Supranational Authorities, like the European Commission, European Banking Authority, Financial Action Task Force, International Monetary Fund and others.

Having referred briefly to the work carried out by the sections responsible for the core functions of the FIAU, I cannot fail to mention also the valuable work carried out by the other sections of the FIAU.

The Legal Section was engaged in various discussions to increase the number of Memoranda of Understanding (MoU) available to the FIAU to support its international cooperation. In fact, three new MoUs were signed. This Section was also involved in numerous court attendances and procedures, international and local meetings, and drafting updates of the Implementing Procedures and the Prevention of Money Laundering and Funding of Terrorism Act, among others. The Guidance and Outreach team within this Section was also strongly engaged in outreach and training to subject persons, with two face-to-face training sessions organised at the first opportunity to do so.

The Centralised Bank Account Register Section continued the useful work of updating and ensuring the accuracy of the Register. Year 2021, furthermore, saw the establishment of the Cash Restriction Section, with ongoing recruitment and the launch of suspicious transaction reporting of prohibited cash transactions.

The Strategy, Policy and Quality Assurance Section, established in 2020, was actively involved in the formulation of the National Strategy and Action Plan to implement the FATF's Action Plan linked to Malta's grey listing. The Section also started to carry out a number of quality assurance reviews.

Special mention must also go to the Technology and Information Security and the Corporate Services and People Performance and Culture sections without whose dedicated support the FIAU would not be able to function efficiently and effectively.

So much more could be added to this welcome, but it is best read about in more detail in the report. However, the above overview should clearly demonstrate that the FIAU is fully committed to carry out its functions and duties with the determination and motivation required to ensure that it successfully contributes to the fight against ML and FT. The FIAU is a strong and operationally independent financial intelligence agency with a forward-looking approach. Over the past few years, we have developed our structures, policies and procedures, built capacity, addressed operational weaknesses and become more effective. Our aim and commitment for the future is to continue playing our part to combat crime while safeguarding Malta's financial system and reputation.

On a final note, we are grateful for the support and cooperation we receive from other local and foreign competent authorities and subject persons. This enabled us to reach the goals and obtain the results that are outlined in this report. I am proud to invite you to read through this annual report to see for yourself the extensive work carried out by the FIAU throughout 2021.

CHAPTER

01

Who Are We?

1.1 Organigram

1.2 Our Staff

1.3 Our Purpose

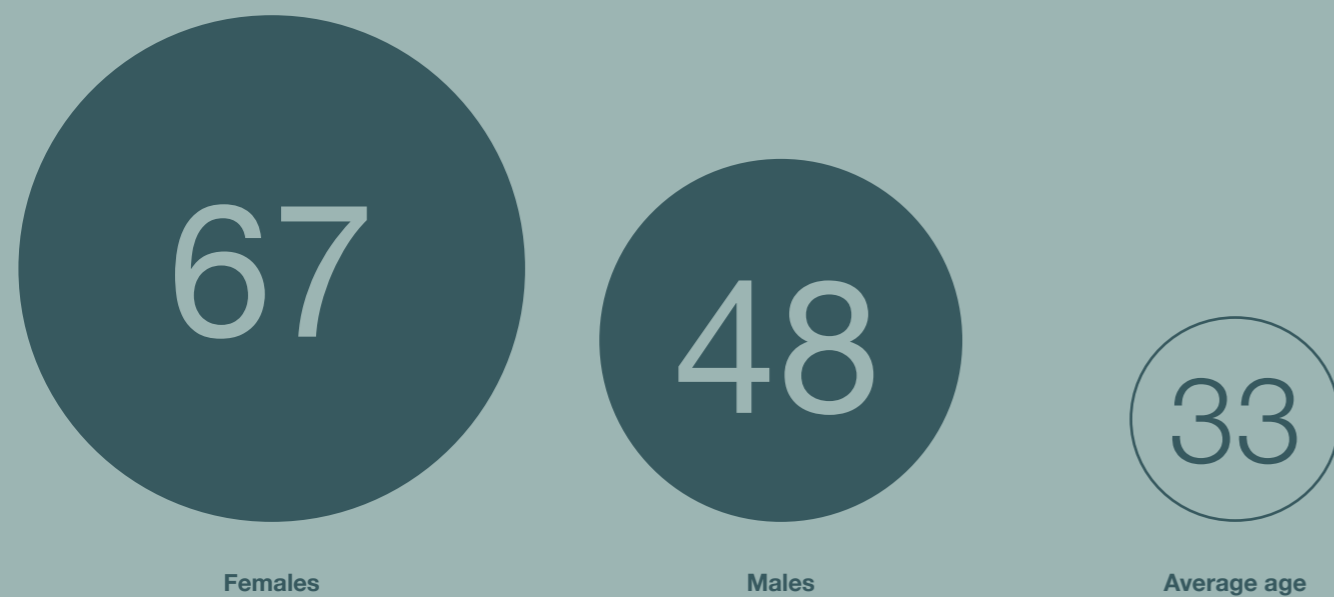
1.1

Organigram



1.2

Our Staff

Employees' Demographics



Nationalities

	Malta	103		Cyprus	1
	Italy	5		Greece	1
	Lithuania	2		Poland	1
	Romania	2			

Staff Education

9 Accounts + Finance + IT + Business Ethics	20 Banking & Finance + Business Analytics + Investments + Management + Marketing + Insurance + Management + Marketing + Statistics	1 Corporate Finance	1 AML
5 Business Administration Enterprise Business Information Technology	3 Communications/Psychology	2 Entrepreneurship	1 MBA
1 Marketing, Insurance & Finance	9 Financial Services/Financial Services Management	3 European Studies	2 Media
1 Secretarial & Administrative Studies	1 Middle Management	1 Finance & Auditing	6 IT
1 International Criminal Justice & Human Rights	1 Insurance & Risk Management	4 Economics + Management	10 Criminology
3 Public Policy + Strategic Management	1 Counter Fraud & Counter Corruption Studies	3 Human Resources	1 Hotel Management
	1 Translation & Terminology Studies	19 Law	1 Psychology

1.3

Our Purpose



In the 2020 annual report, we discussed the purpose of our work from the perspective of combating crime and ensuring a better and safer society. The emphasis was on highlighting the fact that the victims of money laundering (ML) ultimately are normal people and society at large. For this purpose, we mentioned several crimes that underly ML (predicate offences) and produce the dirty money that needs to be laundered.

These crimes have victims and that is why we always stress that ML is not a victimless crime. Awareness is the key to understanding the consequences of ML. Here is a reminder of some of the main predicate crimes from which criminals make money to the detriment of individuals and society in general:

Drug trafficking

Trafficking of human beings for sexual exploitation, forced labour or organ harvesting

Illicit arms trading

Fraud and misappropriation

Bribery and corruption

Environmental crimes

Counterfeiting of currencies

Tax evasion



There is more to fighting Money Laundering and the Funding of Terrorism than fighting crime.

The reality is that ML not only damages individuals and society in general. Left unchecked, ML becomes an ugly phenomenon that can have serious, adverse effects on a country's financial system and on the economy.

ML supports the black economy that thrives on money derived from crime, and on money derived from tax evasion to the detriment of revenue for the State. It enables criminals and tax evaders to enjoy their illicit gains and allows the black economy to flourish. A clean, healthy economy enables the State to fund social services, free healthcare and education, and infrastructural projects, to name a few.

Collecting taxes from legitimate economic activity contributes to a healthy economy. Therefore, the laundering of money derived from tax evasion to the detriment of the economy is just as serious as ML derived from other criminal activity. It should also be clear that, just as the laundering of money derived from, for example, drug trafficking, is a separate crime from the crime of drug trafficking itself, so also the laundering of money derived from tax evasion and the act of tax evasion are two different crimes, even if committed by the same person. The FIAU therefore plays an increasingly important role in supporting the competent authorities to take action against tax evasion and prevent the laundering of proceeds of tax evasion.

The FIAU also strives to play its part to safeguard Malta's reputation. A country that is perceived as a place where the proceeds of crime are laundered and enjoyed by criminals suffers reputational damage. When drug traffickers, organised crime groups, corrupt individuals, fraudsters and not least tax evaders are allowed to enjoy their dirty money, this not only undermines the health of the economy but also a country's reputation. And when a country's reputation suffers, the economy in turn suffers too as a result of the negative impact that a bad reputation inevitably has on investment and international financial business activities.

The FIAU's purpose, therefore, is not just to prevent and fight ML, FT and underlying crime, but also to play an important part in safeguarding Malta's reputation and economy. It cannot do this alone, and this is where the role of other stakeholders becomes just as important. Everyone involved must play their part.

This applies to all the competent authorities involved, to the financial and non-financial business operators who have AML/CFT obligations, and to professional advisors and consultants. All stakeholders should not only be well aware of the ML/FT risks faced by the country, but also of the consequences of failure to do their part to mitigate those risks.

The FIAU plays its part through several functions:

A Intelligence Analysis

This is the core function of any FIU and is carried out away from the public eye. Nevertheless, it feeds useful intelligence to both national and foreign designated competent authorities to assist and support their investigatory, prosecutorial, regulatory or other relevant functions.

B Supervision

This consists in monitoring compliance by subject persons (SPs) with their AML/CFT obligations arising out of the PMLFTR and the Implementing Procedures, and engaging with them to take remedial action to address compliance shortcomings.

C Enforcement

Taking the necessary administrative measures, including the imposition of fines, when this is necessary to enforce compliance, and ensuring that measures taken are proportionate, effective and dissuasive.

D Maintaining the Centralised Bank Account Register

This is a centralised database of all accounts having an IBAN, safe custody services and safe deposit boxes, hosted and managed by the FIAU. This facilitates the fast retrieval of bank account and other information to support the FIAU intelligence function, and the investigatory and other requirements of other competent authorities involved in the fight against ML and FT.

E Monitoring compliance with the Use of Cash (Restriction) Regulations

This requires the oversight of the implementation of the restriction on cash payments in respect of certain high value assets, monitoring of compliance and the taking of enforcement action.

F Guidance and Outreach

The purpose of this function is primarily to help SPs understand their AML/CFT-related obligations and to communicate the FIAU's expectations when it comes to their implementation, and to foster and improve a stronger culture of compliance.

This annual report provides more information about these functions, the work carried out and the results obtained in 2021.

These functions are the means by which the FIAU strives to achieve its purpose, that of effectively playing its part to combat ML, FT and underlying crime, and to safeguard Malta's reputation and economic well-being.

CHAPTER

02

Main Functions

2.1 Intelligence Analysis

2.2 Supervision

2.3 Enforcement

2.4 Centralised Bank
Account Register

2.5 Cash Restriction

2.1 Intelligence Analysis



In line with Recommendation 29 of the Financial Action Task Force (FATF), countries are required to establish a Financial Intelligence Unit (FIU) with the principal functions being:

- A Receipt and analysis of Suspicious Transaction Reports (STRs).

- B Receipt and analysis of any other information that is relevant to Money Laundering (ML), associated predicate offences and Funding of Terrorism (FT).

- C The dissemination of intelligence to domestic competent authorities and foreign counterparts, spontaneously and on request.

To do so effectively, an FIU should be able to obtain, in a timely manner, additional information from subject persons (SPs) as well as from Government ministries, agencies, departments and authorities.

The FIAU is Malta's FIU, and this function is carried out within the Intelligence Analysis Section that receives, collects, processes and analyses information to generate intelligence that is then used by other national and foreign competent authorities to combat ML and FT.

The submission by SPs of Suspicious Transaction or Activity Reports (STRs or SARs) is the main source of information used by the FIAU to trigger and carry out operational analysis of cases. These are supported by additional information obtained by the FIAU from other national authorities, foreign FIUs and SPs. Indeed, the FIAU's powers are wide and far-reaching, thus enabling it to request and access information to perform its functions effectively.

In addition to carrying out operational analysis, the FIAU's Intelligence Analysis Section is also tasked with conducting strategic and tactical analyses, using data which may be obtained or is available to the Unit. These analyses help identify ML/FT threats and vulnerabilities, both on a sectorial as well as a national level.

The results of these analyses are, in turn, used by the FIAU to provide further guidance and outreach to SPs, inform its – and the country's – understanding of ML/TF risks, and introduce mitigating measures where necessary, including by introducing policies or making changes to Malta's AML/CFT framework.

goAML implementation and enhancements

In June 2020, the FIAU implemented the use of goAML as its suspicious report submission system and internal database. The implementation of this system, which is a fully integrated software solution developed by the United Nations Office on Drugs and Crime (UNODC) for FIUs, allowed for improved work processes, better data collection, collation and processing.

Following a number of enhancements to this system in 2020, further changes and improvements were implemented in 2021. One of the main changes carried out in 2021 was the implementation of additional indicators of ML/FT risks. These indicators were enhanced, given that it is this information which, in turn, supports the strategic analysis process. Correct indicators are what drives focus, alignment, risk assessment and supporting areas, such as sector specific training, guidance and outreach.

Receiving information and timely replies is key to the FIAU's effectiveness, and SPs have the obligation to respond to the FIAU's requests for information within a timeframe of five working days – or less, if specified by the FIAU. Within this context, and to assist SPs, another enhancement to goAML implemented in 2021 was the automation of reminders to reporting entities to respond to requests for information made by the FIAU before they become overdue.

This enhancement ensures that SPs are alerted in due time and can allocate resources depending on the urgency of incoming and pending requests, while at the same time the FIAU receives the requested information in a timely manner.

Intelligence Analysis Section: 2021 at a glance

The year under review presented a whole new set of challenges, as had 2020, particularly in relation to the operational difficulties and restrictions still presented by the Covid-19 pandemic. The decision by the FATF to grey list Malta presented the FIAU with challenges that led to additional efforts to further improve operations and address the remaining shortcomings in the shortest time possible.

Building on the strength and improvements of the FIAU in the preceding years, the Section continued to increase the number of external databases to which it now has direct access and also further increased its staff complement. This growth has enabled the Section to introduce more specialised teams, including one dedicated to the analysis of tax-related ML cases, that has also undergone specialised training.

The main achievements of the Section include:

An increase in staff complement – from 30 in 2020 to 32 in 2021.

An increase in direct access to crucial information, which in turn contributes to a timelier and more effective analytical process.

The establishment of a dedicated team to handle tax-related ML cases.

An increase in disseminations to national competent authorities and foreign FIUs.

Enhancements to goAML that improved the FIAU's strategic analysis process.

The automation of certain processes within goAML to improve the FIAU's effectiveness.



Increase in disseminations and enhanced cooperation with domestic authorities

The FIAU's Intelligence Analysis Section continued sharing intelligence on a regular basis with the Malta Police Force (MPF) in 2021, as well as other domestic supervisory and competent authorities. In addition to responding to over 3,600 requests for assistance, submitted by national supervisory and other competent authorities, the FIAU also shared 328 disseminations with the MPF.

These consisted of 74 analytical reports, which were drawn up following an in-depth analysis carried out by the FIAU that resulted in a determination that a reasonable suspicion of ML/FT subsisted. The remaining 254 disseminations consisted of either additional intelligence reports¹, or of spontaneous intelligence reports².

Strategic analysis and other international commitments

In terms of strategic analysis efforts, the dedicated team has focused on more than 15 projects this year, including several strategic and tactical analyses addressing various areas, including suspected beneficial ownership concealment, as well as tax crimes risks and typologies. The team concentrated on supporting the Unit's and the national efforts and priorities, including participation in risk assessments, uncovering operational cases as a result of the tactical analyses performed, with several of these projects continuing in 2022.

¹ These reports contain additional information obtained or received by the FIAU, which are connected to analytical reports that have already been disseminated to the Malta Police Force.

² These reports relate to information, which is obtained or held by the FIAU at a stage when the subject/s are already known to the Police and the information held is deemed to be of relevance to the Police due to other independent, ongoing investigations. These cases are usually identified through ongoing cooperation with the MPF.

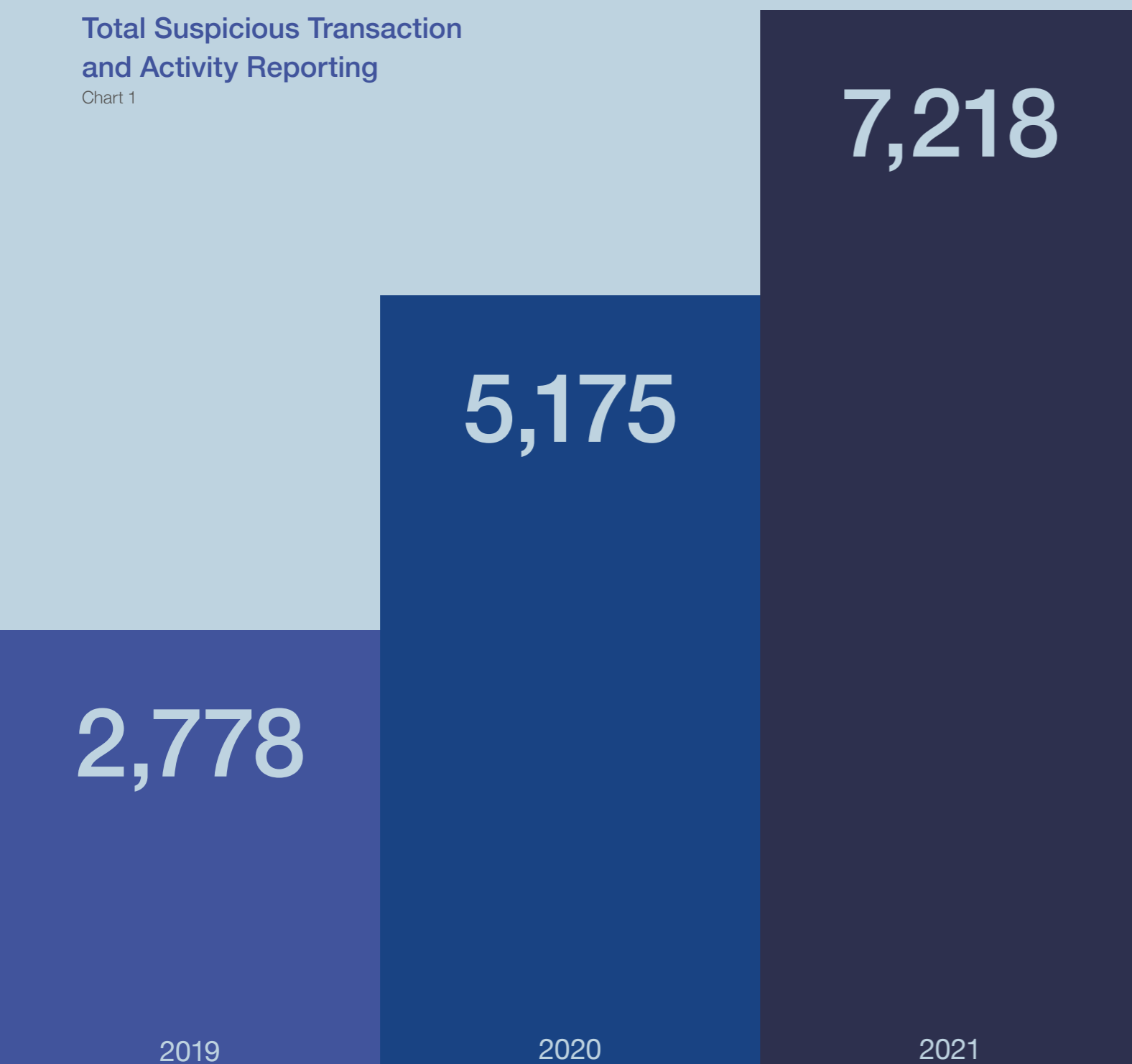
Statistical Information

REPORTS SUBMITTED BY REPORTING ENTITIES

The increase in reporting that has been noted year upon year was once again evident in 2021, which registered an overall increase of 39% over 2020.

Total Suspicious Transaction and Activity Reporting

Chart 1



Suspicious Transaction and Activity Reports received by sector

Table 1

Top 10 Reporting sectors in 2021			
Type of reporting entity	2019	2020	2021
Remote Gaming Company	1,445	2,485	4,822
Credit Institutions	962	1,975	873
VFA Framework	8	61	411
Financial Institutions – Payment Services Providers	35	95	244
Financial Institutions – Electronic Money	22	115	191
Casino Licensees	34	56	138
Company Service Providers	49	65	79
Investment Services Licensees	24	28	47
Financial Institutions – Money Remitters	14	19	41
Accounting Professionals	8	20	38
Rest of subject persons (refer to Annex 1)	94	171	184
Supervisory Authorities	83	77	142
Competent Authorities		8	8
FIAU generated cases	35	32	105
Total reports for the year	2,813	5,207	7,323

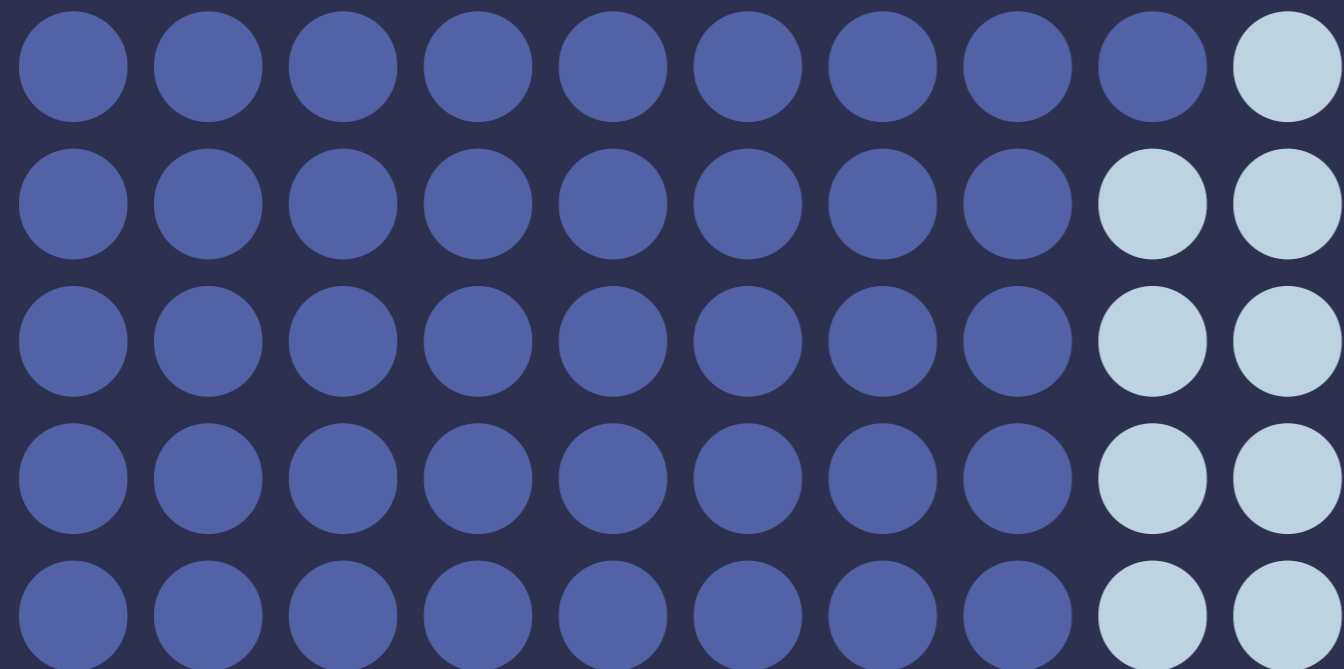
The significant increase in reports was noted across most of the sectors in 2021, with remote gaming operators submitting almost double the number of 2020 suspicious reports, and topping the chart once again as the sector that submitted the most suspicious reports, accounting for 68% of reports submitted by SPs.

Credit institutions and Virtual Financial Asset providers rank behind the remote gaming sector as top reporting sectors, accounting for approximately 12% and 6% of submissions, respectively.

Accounting professionals, auditors, as well as company service providers and trustees have also increased the level of reporting, registering an annual increase ranging from 22% to 90%.

Type of persons who were the subject of the suspicious reports

Chart 2



82%

Natural persons

An individual about whom a suspicious report was received

18%

Legal entities

An organisation or entity about which a suspicious report was received

Natural and Legal Persons subject to suspicious reports by country of origin

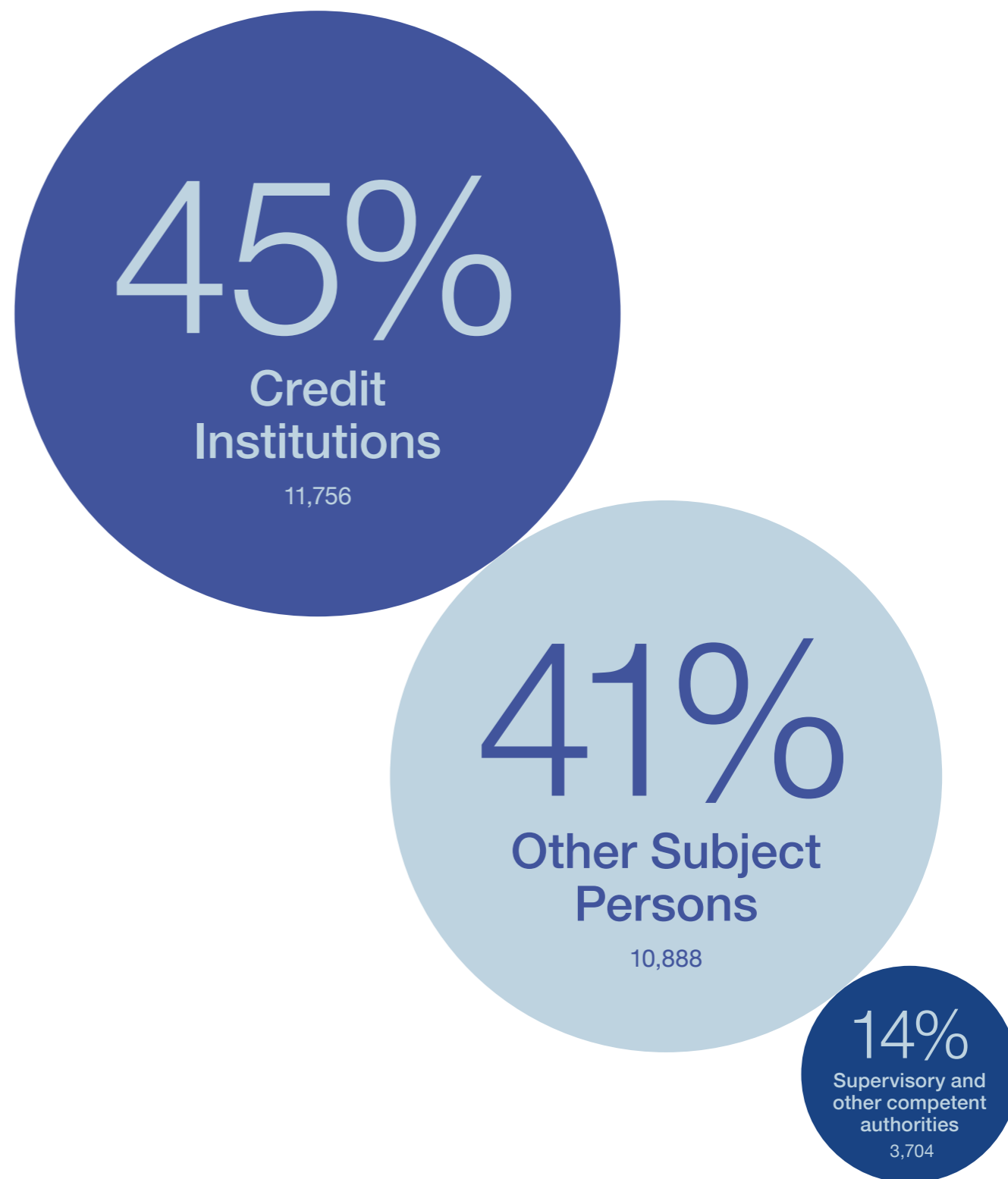
Table 2

Natural Persons		Legal Persons	
United States	22%	Malta	36%
Malta	13%	United Kingdom	5%
Brazil	5%	Cyprus	2%
Germany	5%	Estonia	1%
Netherlands	4%	British Virgin Islands	1%
United Kingdom	4%	China	1%
Canada	4%	Jordan	1%
Ireland	3%	Curaçao	1%
Austria	3%	Netherlands	1%
Finland	3%	Hong Kong	1%



National requests for information by the FIAU

Chart 3



45%

Credit Institutions

11,756

41%

Other Subject Persons

10,888

14%

Supervisory and other competent authorities

3,704

Disseminations

From 7,196 reports closed in 2021, more than 8,400³ intelligence reports were disseminated during 2021.

Total disseminations by year

Table 3

Year	Number of disseminations	Evolution compared to previous year
2019	1,842	n/a
2020	4,535	146%
2021	8,443	86%

Total disseminations

Table 4

Counterparts	Number of intelligence disseminations sent	% of total
Foreign Counterparts	7,295	86%
Commissioner for Revenue	703	8%
Malta Police Force	328	4%
Supervisory Authorities and Other Competent Authorities	117	1.4%
Total	8,443	100%

³ A report may lead to more than one intelligence report being disseminated.



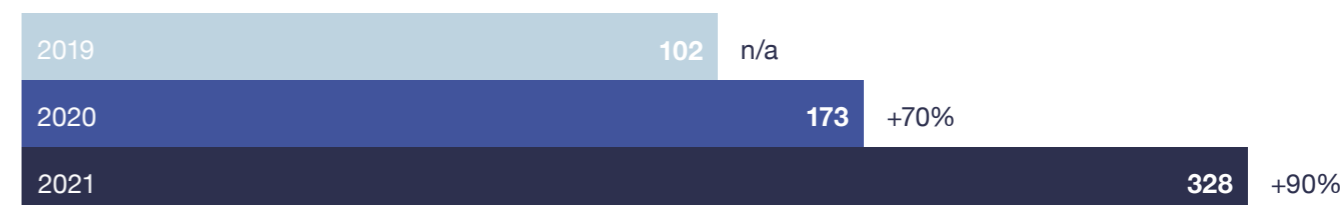
Disseminations to the Malta Police Force by type of report

Table 5

Type of reports sent to Malta Police Force	2021	% of total dissemination to Malta Police Force in 2021
Analytical Report	74	23%
Additional Intelligence Report	140	43%
Spontaneous Intelligence Report	114	35%
Total	328	100%

Disseminations to the Malta Police Force, evolution by year

Chart 4



"If you combat an international phenomenon it is indispensable to share information internationally".

GIJS DE VRIES
DUTCH POLITICIAN

Observations on 2021 suspicious reports received

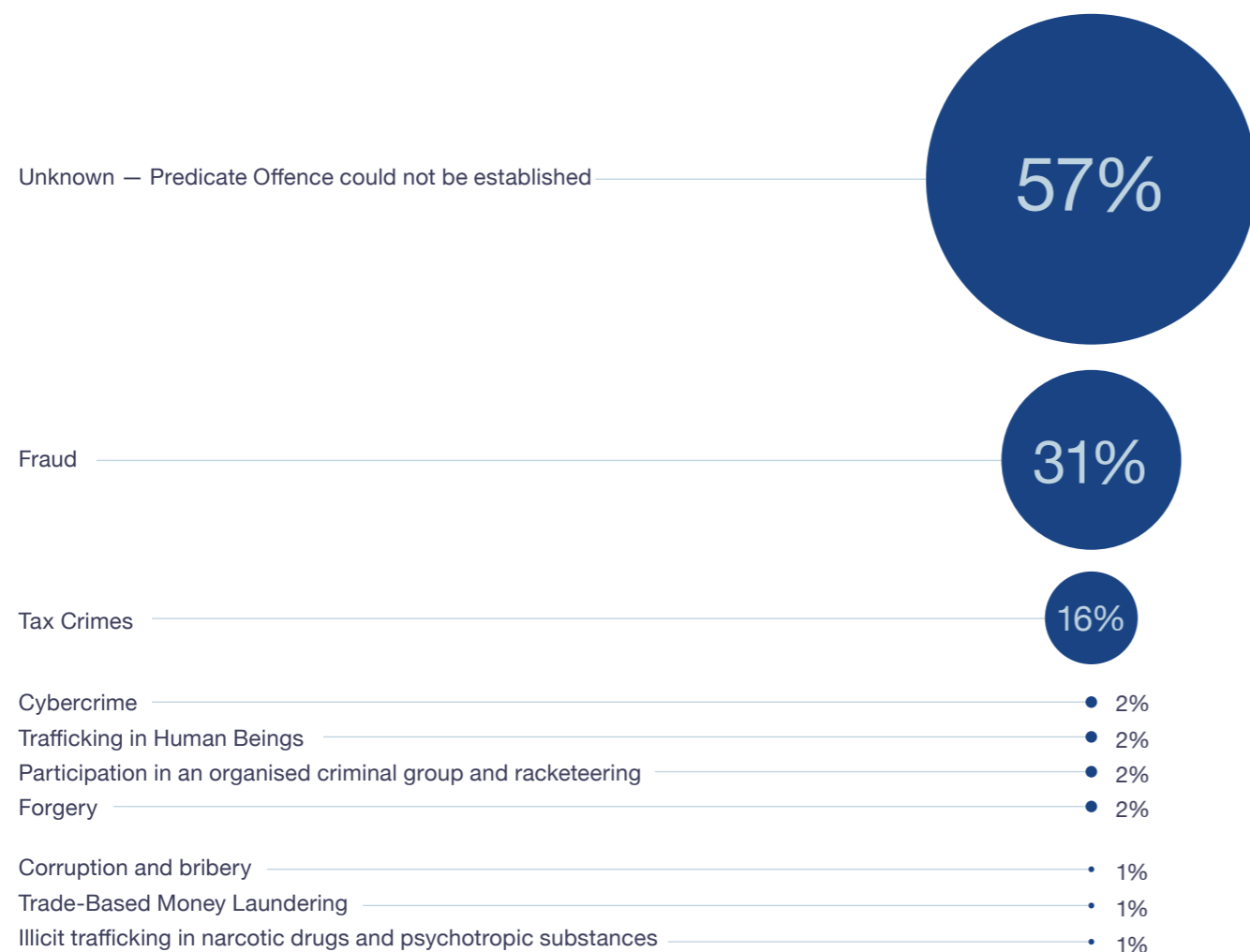
The figures represented below depict the top suspected predicate offences reported to the FIAU, as well as the main reasons for suspicion.

The top three suspected predicate offences highlighted in 2021 reports⁴ submitted were fraud, mostly debit and credit card fraud, as well as tax crimes, mainly corporate and personal income tax evasion, and chip dumping. Furthermore, in a number of instances, the SP was not able to specify the predicate offence but was able to identify a suspicious activity or transaction and report it to the FIAU.

In addition, among the main reasons SPs submitted their suspicion to the FIAU is their clients' unknown source of wealth and/or source of funds (SoW/SoF), transactional activity that is unexplained or is inconsistent with the known customer profile, as well as adverse media.

Top 10 suspected predicate offences reported

Chart 5

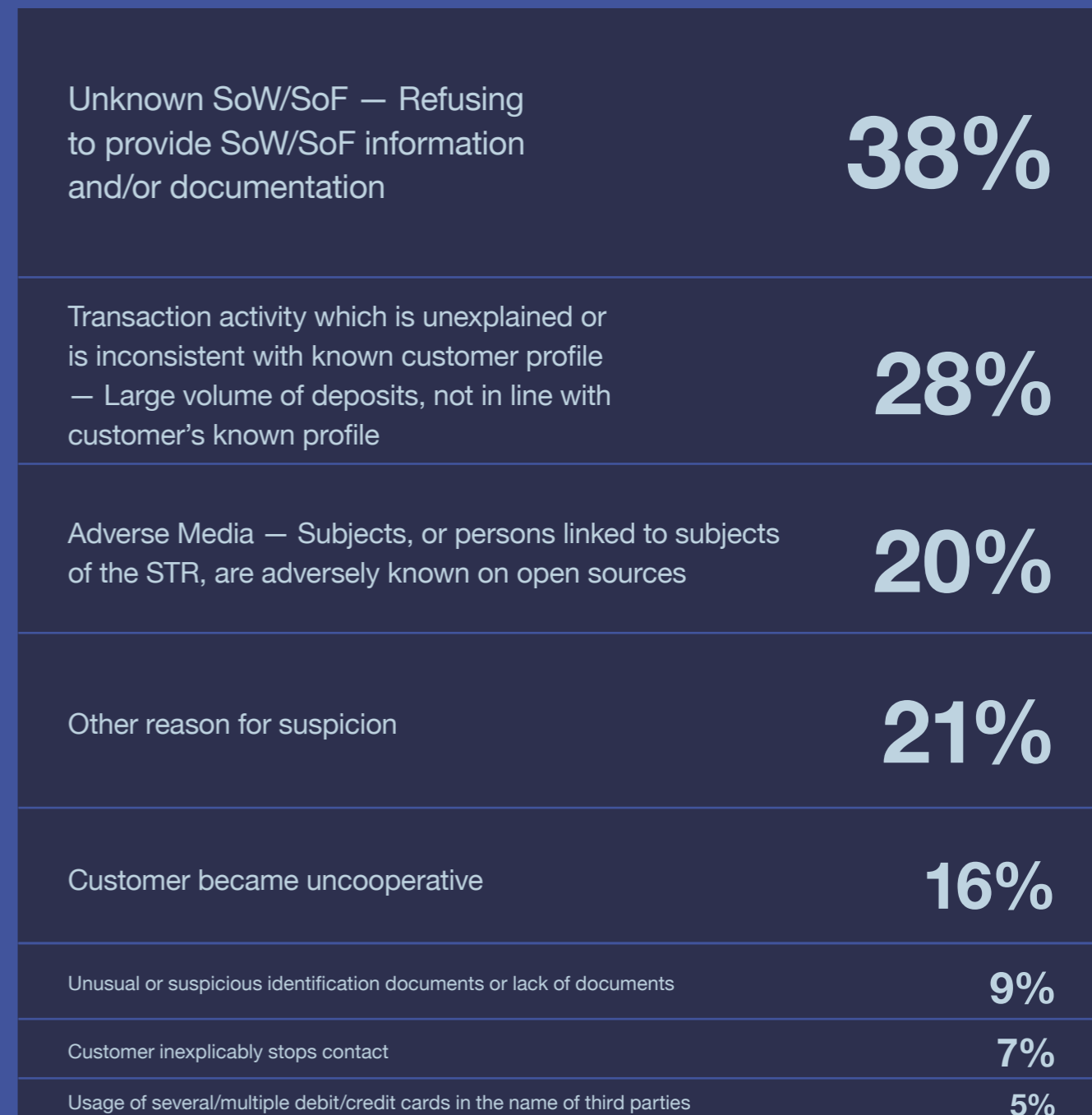


⁴ One suspicious report submitted by a reporting entity can contain one or more predicate offences flagged.



Top 10 reasons for suspicion*

Chart 6



* The percentages do not add up to 100% since a report may have more than 1 predicate offence, or reason for suspicion. By way of example, if a report includes both tax evasion and fraud as predicate offences, the offence would be statistically represented in both offences.

Domestic and international cooperation

In line with the Unit's functions under Article 16 of the PMLA, the Intelligence Analysis Section cooperates closely with both its domestic as well as its foreign counterparts.

This cooperation takes place both on request from the respective counterparts, as well as spontaneously, whenever the FIAU obtains information that can be of interest to one or more of its counterparts, both nationally and internationally.

The exchange of information, which is done using dedicated, secure channels, is a very important element for the FIAU to carry out its analytical function effectively and proactively. As a member of the Egmont Group of FIUs, the FIAU communicates with other Egmont members via the Egmont Secure Web. The FIU.net system is also used extensively to exchange information with FIUs from EU member states.

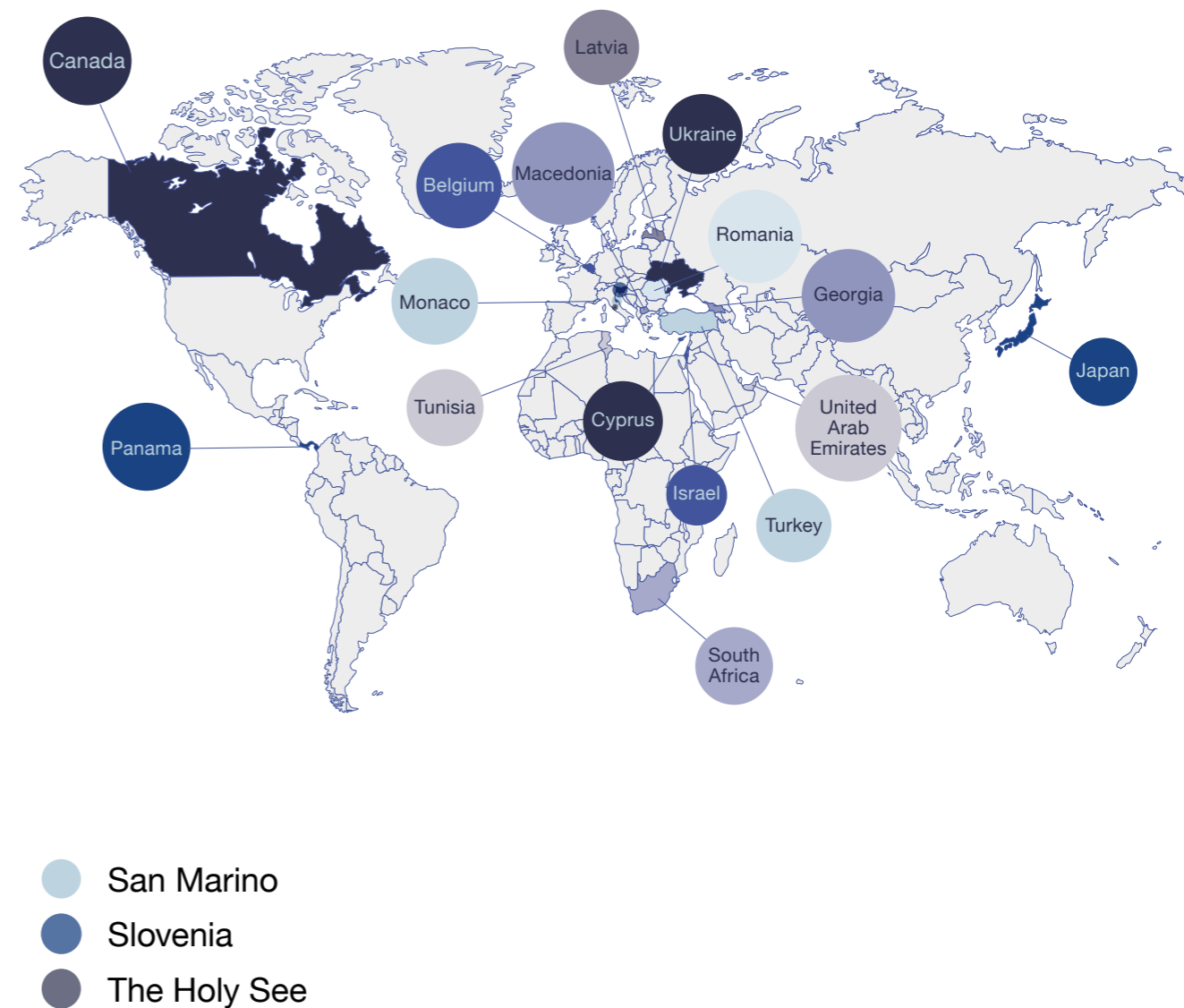
Under Maltese law, the FIAU is authorised to exchange information with its foreign counterparts without the need to have a Memorandum of Understanding (MoU) in place. However, the establishment of an MoU may be a prerequisite for the exchange of information in other jurisdictions. As a result, over the years the FIAU has entered into 19 MoUs with foreign counterpart FIUs. Three new MoUs were signed in 2021 with the FIUs of Turkey, Ukraine and the United Arab Emirates.

In addition to the MoUs agreed with foreign counterparts, the FIAU also has in place a number of MoUs with other domestic authorities, including the Central Bank of Malta, the Commissioner for Revenue, the Malta Accountancy Board, the Commissioner for Voluntary Organisations and the Sanctions Monitoring Board (SMB).



Countries with a Memorandum of Understanding in place

Chart 7



Given the FIAU's role and functions, the Unit co-operates extensively with the Malta Police Force (MPF), the Malta Security Service (MSS), the Sanctions Monitoring Board, the Malta Financial Services Authority (MFSA) and the Malta Gaming Authority (MGA). Over 3,600 requests for information from national authorities were handled by the Intelligence Analysis Section in 2021 and the Section made a further 3,700 requests for information to various reporting entities and domestic authorities.

Although there was a significant increase in suspicious reports received, by almost 40% compared to the previous year, as well as an increase in international cooperation when the FIAU's assistance was sought, the resulting number of requests sent to SPs and competent authorities remained rather stable. In fact, the number of requests for credit institutions decreased by almost 40% compared to 2020.

This is mostly due to the fact that the intelligence analysts, through dedicated searches on the CBAR platform, can check and submit targeted requests for information to those specific credit and financial institutions that actually have a business relationship with the relevant natural or legal person, ensuring a more efficient manner to gather information for the FIAU and a better usage of resources for the credit institutions too.

In terms of cooperation with our foreign partners, in line with international expectations to provide information in a timely manner to foreign counterparts, the average time taken by the FIAU to respond to the 290 requests received during 2021 was nine days.

Requests for cooperation and information to and from other FIUs by year

Table 6

Year	Number of requests sent by the FIAU	Number of requests received by the FIAU
2019	711	227
2020	741	250
2021	928	290

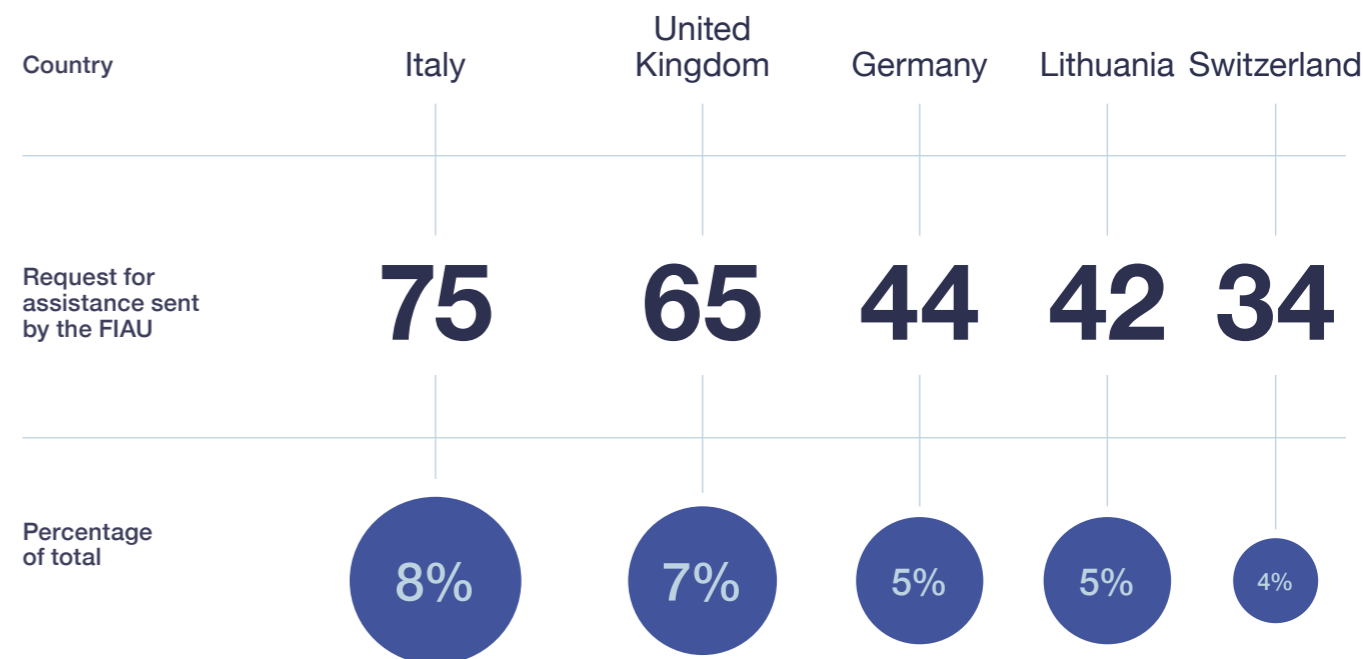
Zone	Requests for assistance sent	Requests for assistance received
EU/EEA	481	183
Europe (non-EU/EEA)	174	49
Asia	122	24
Americas	94	18
Africa	48	7
Oceania	9	9



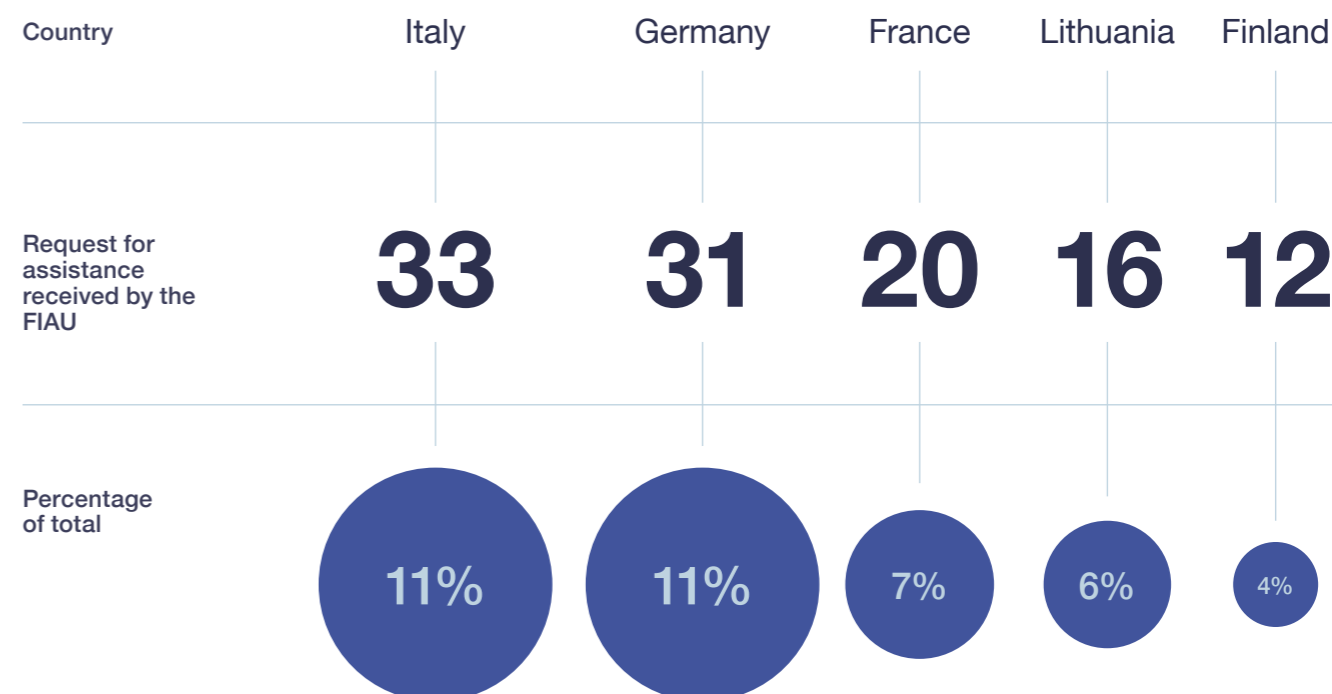
Top 5 sending and receiving countries (international requests for information)

Chart 8

REQUESTS FOR ASSISTANCE SENT BY THE FIAU – TOP 5 RECIPIENTS



REQUESTS FOR ASSISTANCE RECEIVED BY THE FIAU – TOP 5 SENDERS





Total number of spontaneous intelligence reports sent and received

Table 7

SPONTANEOUS INTELLIGENCE REPORTS SENT AND RECEIVED, BY YEAR

Year	Number of spontaneous intelligence reports sent by the FIAU	Number of spontaneous intelligence reports received by the FIAU
2019	1,547	90
2020	4,101	102
2021	7,295	152

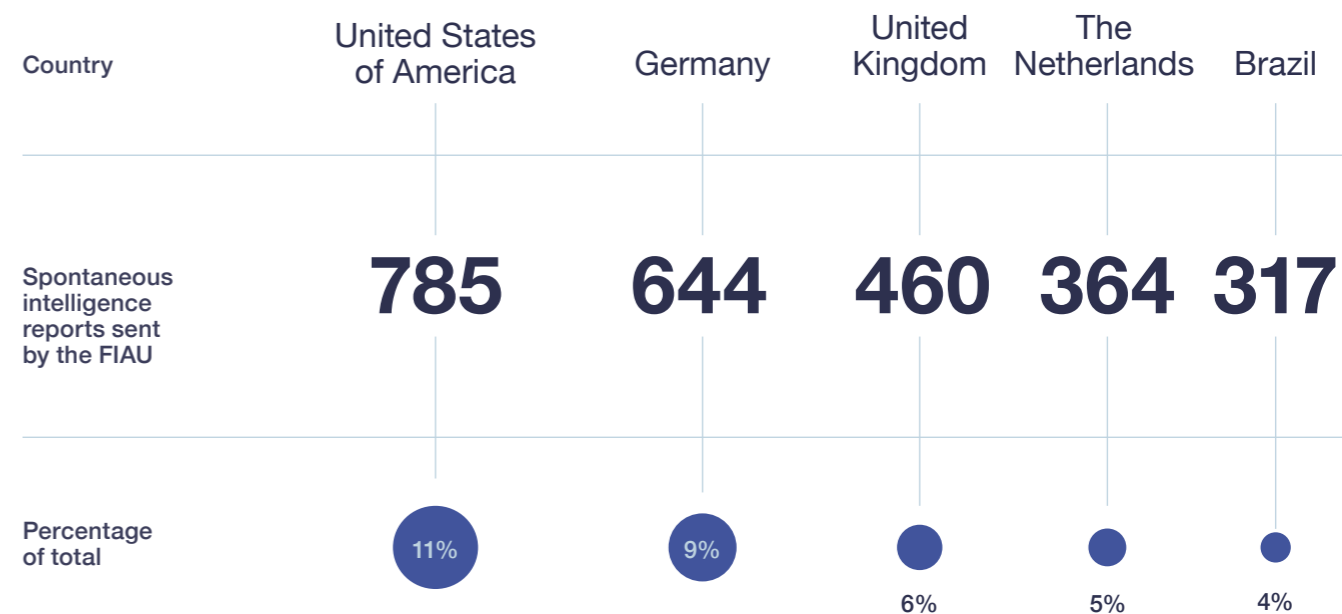
SPONTANEOUS INTELLIGENCE REPORTS SENT AND RECEIVED BY THE FIAU, BY ZONE IN 2021

Zone	Spontaneous intelligence sent	Spontaneous intelligence received
EU/EEA	3,663	122
Americas	1,666	1
Europe (non-EU/EEA)	1,152	25
Asia	517	4
Africa	176	-
Oceania	121	-

Top 5 sending and receiving countries (spontaneous intelligence reports)

Chart 9

SPONTANEOUS INTELLIGENCE REPORTS SENT BY THE FIAU — TOP 5 RECIPIENTS



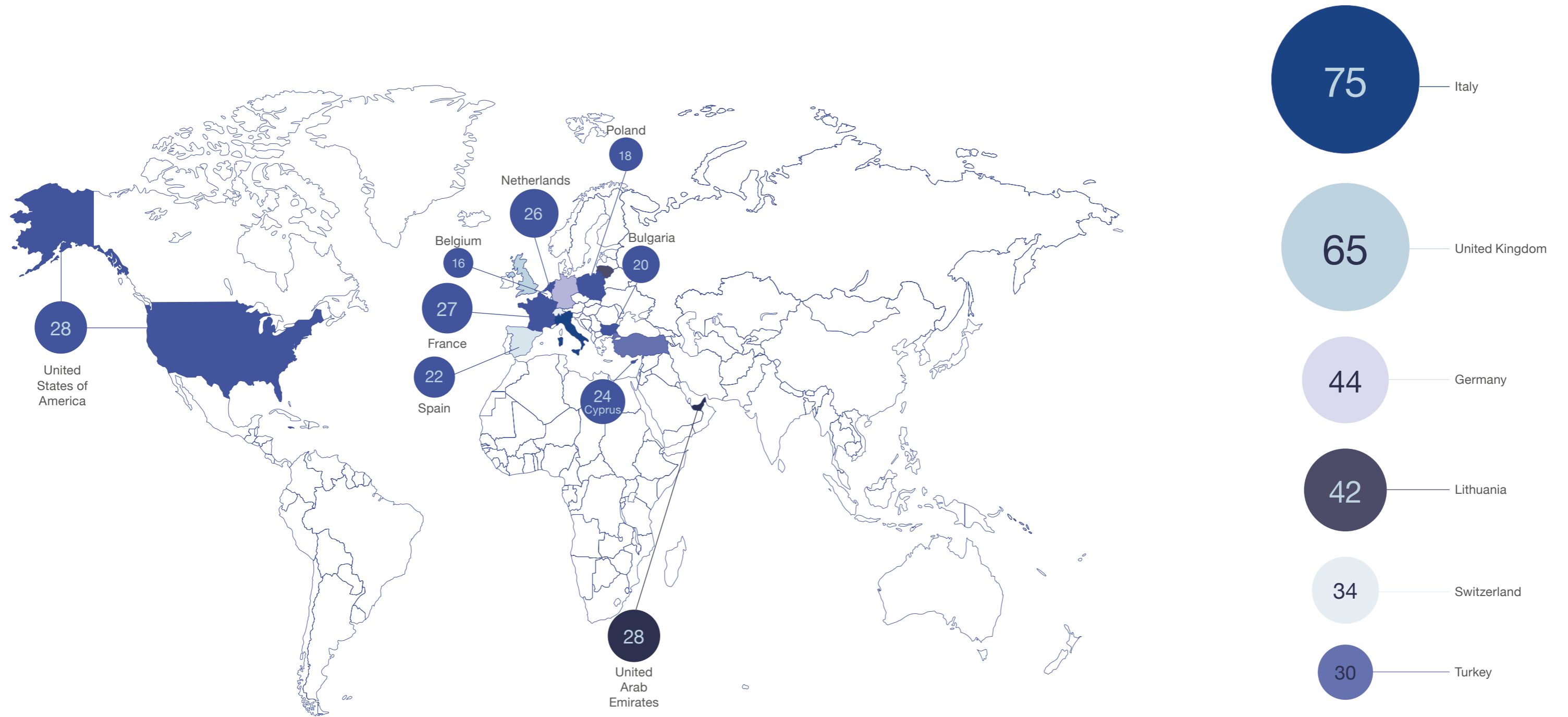
SPONTANEOUS INTELLIGENCE REPORTS RECEIVED BY THE FIAU — TOP 5 SENDERS





Top 15 countries to which the FIAU sent requests for information

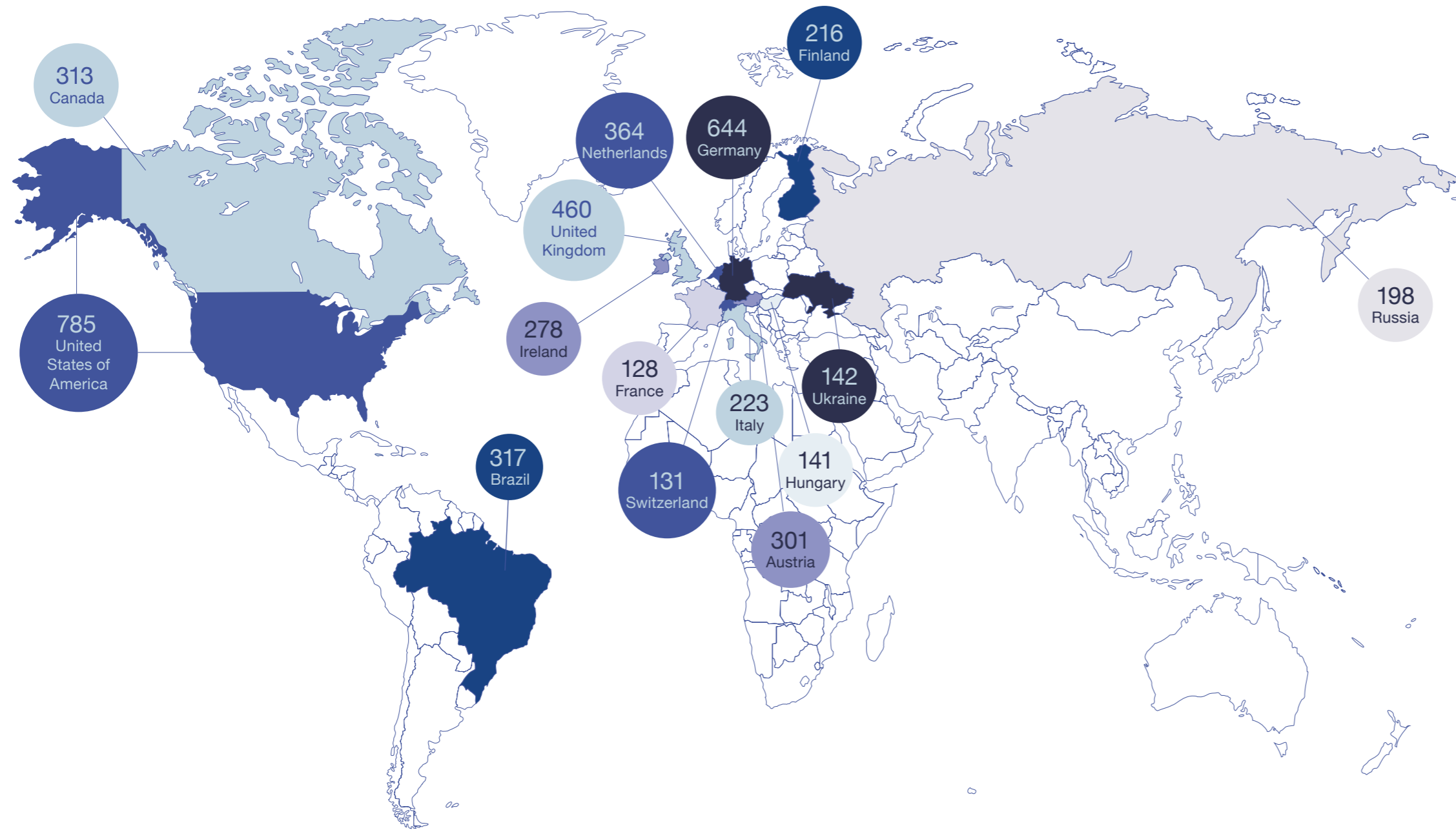
Chart 10





Top 15 countries to which the FIAU sent spontaneous intelligence reports

Chart 11



Future projects

Since the implementation of goAML in June 2020, the Intelligence Analysis Section has been striving to improve the quality of reporting and data retention on the system. One of the strengths of goAML is the option to receive information and store data in XML format.

Since June 2020, a number of SPs have successfully implemented a reporting system using XML. During 2022, the FIAU will focus on assisting and encouraging more reporting entities to shift to this type of reporting format to maintain a timely and efficient analytical process, irrespective of the volume of STRs received.



2.2 Supervision

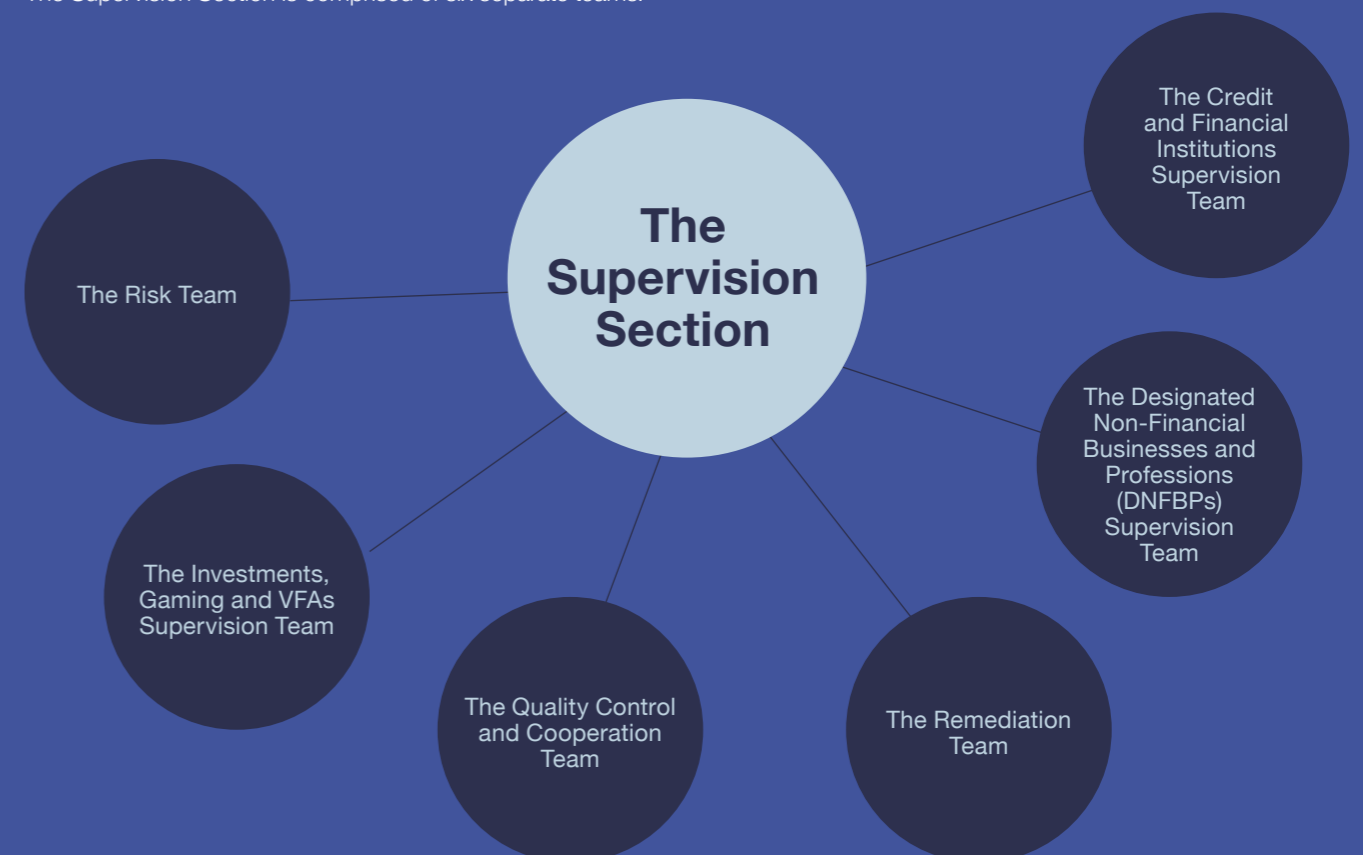
The Supervision Section is empowered to fulfil its function by law through Article 16(1)(c) of the Prevention of Money Laundering Act (PMLA), and its functions mainly revolve around monitoring compliance by subject persons (SPs) with Anti-Money Laundering and Combating the Funding of Terrorism (AML/CFT) obligations. To fulfil this function, the Supervision Section is responsible for a number of roles, as demonstrated in the diagram opposite.



The roles of the Supervisory Section

1	Risk Assessment	The identification, assessment and monitoring of Money Laundering/Funding of Terrorism (ML/FT) risks posed by SPs and the sectors in which they operate.
2	Supervision	Supervision of adherence to AML/CFT obligations by SPs through various supervisory actions.
3	Guidance	Provision of guidance to SPs in relation to the interpretation and application of their AML/CFT obligations.
4	Remediation	Determining remedial action to be taken by SPs following compliance examinations carried out and following up on the adequate implementation of remedial action.
5	Cooperation	Instilling cooperation on AML/CFT matters, both on a national and an international level.

The Supervision Section is comprised of six separate teams:





Each team is responsible for carrying out various functions, as further outlined below.

1. Risk Assessment

THE PURPOSE OF CARRYING OUT RISK ASSESSMENTS

“A risk-based approach involves tailoring the supervisory response to fit the assessed risks. This approach allows supervisors to allocate finite resources to effectively mitigate the Money Laundering and Terrorism Funding (ML/TF) risks they have identified and that are aligned with national priorities. Tailoring supervision to address the relevant ML/TF risks will reduce the opportunities for criminals to launder their illicit proceeds and for terrorists to finance their operations, and improve the quality of information available to law enforcement authorities. It will also ensure that supervisory activities do not place an unwarranted burden on lower risk sectors, entities and activities. This is critical to maintaining or increasing financial inclusion, which could reduce overall ML/TF risks by increasing transparency. A robust risk-based approach includes appropriate strategies to address the full spectrum of risks, from higher to lower risk sectors and entities. Implemented properly, a risk-based approach is more responsive, less burdensome and delegates more decisions to the people best placed to make them”.

© FATF (2021), Guidance on Risk-Based Supervision, www.fatf-gafi.org/publications/documents/Guidance-RBA-Supervision.html.



THE RISK TEAM

In line with the changes in the regulatory landscape brought about by new EU AML directives, not only have SPs been required to shift to the risk-based approach as part of the implementation of their AML/CFT compliance framework, but so has the regulator. Therefore, the identification and assessment of risk posed by SPs and the industries in which they operate play a vital role in carrying out effective risk-based supervision.

The Risk Team remained responsible for co-ordinating the risk assessment process of SPs in 2021, with the objective of creating an ML/TF risk profile for each SP. The risk profile is then used to guide supervisory teams in their effective implementation of risk-based supervision. To achieve this, the Risk team is responsible for formulating and applying the FIAU's risk assessment methodology through the collection, analysis and assessment of data extracted from various sources. This includes, but is not limited to, information from SPs themselves (through the Risk Evaluation Questionnaire (REQ)), information provided by prudential regulators, information provided by the FIAU's Intelligence Analysis Section, any material adverse information obtained from public and non-public sources, such as open sources, local and foreign supervisors and whistle blowers, results from compliance examinations and the results from the National Risk Assessment (NRA) and Supranational Risk Assessment (SNRA).

The Risk Team carries out an annual risk assessment, which is used to determine the yearly supervisory cycle that defines the method SPs are to be supervised. The Risk Team is also responsible for monitoring any changes to each SP's risk profile throughout a typical supervisory cycle.

ENHANCEMENTS TO THE RISK EVALUATION QUESTIONNAIRE

The Risk Team continued to fine tune the questions included in the Risk Evaluation Questionnaires (REQs) in 2021, based on feedback received from SPs as well as further internal reviews. During the 2021 REQ period (February-April 2021), the Risk Team replied to 265 emails in relation to the Compliance and Supervision Platform for Assessing Risk (CASPAR) and REQ-related clarifications. These queries were taken into consideration when making changes to the REQs to ensure that the amended versions were clearer and addressed any issues raised by SPs.

ENHANCEMENTS TO CASPAR

The CASPAR system is a standardised technological solution designed to facilitate the dynamic risk assessment, risk data collection and risk scoring process. Since the launch of the CASPAR system in 2019, the system has undergone several enhancements.

In 2021, the system was updated as follows:

The ‘Subject Person Profile’ module (SP Profile) was introduced towards the end of February. This is a new section introduced on CASPAR, which is to be populated by SPs with key information. It is tailored to the SP and the information requested differs according to the sector or sub-sector in which they operate. The SP Profile allows the FIAU to collect specific information on SPs, such as any authorised licences, types of services offered, latest financial statements, as well as details on the directors, shareholders and beneficial owners. Through the SP Profile, the FIAU is also able to access the latest Business Risk Assessment (BRA), as opposed to only receiving the updated BRA once a year through the submission of the REQ.

The REQ section on CASPAR has also undergone several changes, and now provides users with the ability to print the questionnaire prior to completion. SPs can see the status of ‘exempted’ whenever they are exempt from completing an REQ, which will ease any difficulty on whether they are required to answer any new REQs. Applicable questions are auto populated with the previous year’s answers to facilitate the REQ submission process. SPs also have the possibility to select multiple answers to questions included in the REQ and additional guidance has been provided on how to reply to specific questions that are included in it.

SPs no longer carrying out relevant activity have an option to mark this on the system.

The system requires SPs to disclose information on whether they form part of a group, as well as to provide details of compliance officers.

The Risk Team continued to enhance the system in 2021 to improve the harmonisation of data through close collaboration with other supervisory authorities, namely the Malta Financial Services Authority (MFSA) and the Malta Gaming Authority (MGA). This was done to ensure that relevant data was being obtained and updated instantly on CASPAR, such as the approval date of the Money Laundering Reporting Officers (MLROs).



RESULTS OF THE 2021 RISK ASSESSMENTS

The information provided by SPs on the inherent ML/FT risks and mitigating controls, along with information provided by other supervisory authorities (the MFSA and MGA) and other sections of the FIAU, was collected by the Risk Team through the population of REQs. Once all the necessary data was collected, a residual risk score for all the active SPs was derived using the custom-built risk scoring algorithm in-built in CASPAR. SPs were then classified as posing either a low, medium or high ML/FT risk.

In total, the Risk Team received 2,046 REQ submissions from SPs in 2021. The submission rates by sector are outlined in the table below.

REQ submission rates

Table 8

Credit Institutions	2019	100%
	2020	100%
	2021	100%
Financial Institutions	2019	90%
	2020	100%
	2021	96%
Investments	2019	96%
	2020	93%
	2021	96%
Insurance	2019	87%
	2020	96%
	2021	98%
VFA Agents*	2019	N/A*
	2020	100%
	2021	100%
Remote Gaming	2019	73%
	2020	95%
	2021	88%
Land-Based Casinos	2019	100%
	2020	100%
	2021	100%
TCSPs (firms)	2019	98%
	2020	98%
	2021	98%
TCSPs (individuals)	2019	88%
	2020	95%
	2021	98%
Other DNFBPs (firms)	2019	95%
	2020	95%
	2021	93%
Other DNFBPs (individuals)	2019	93%
	2020	90%
	2021	95%

* There was no obligation for VFA Agents to submit the REQ in 2019.



2. Supervision

As laid out in Article 16(1)(c) of the PMLA, the FIAU’s functions include to monitor compliance by SPs with AML/CFT obligations. One of the methods employed by the FIAU to do this is through compliance examinations. As shown in the diagram below, the scope of an examination varies according to the type of examination.

Examination types

A Full Scope Examinations

Cover the entire spectrum of risks and activities of the SP from an AML/CFT perspective, producing a holistic view of its AML/CFT framework at a point in time.

B Targeted Examinations

Are carried out with the aim of reviewing one or more specific aspects of the AML/CFT framework of an SP, thereby gaining a better understanding of the aspects under review.

C Thematic Examinations

Are a particular type of targeted examination, which focus on a particular theme (e.g., types of transactions) in a group of peer institutions, which allows for better understanding of particular typologies.

D Follow-up Examinations

Are aimed at assessing the progress in implementing remedial actions or corrective measures prescribed by the FIAU further to a previous examination.

SUPERVISION CARRIED OUT IN 2021

Compliance examinations carried out

Table 9

Sector	2019	2020	2021
Credit Institutions	8	8	2
Financial Institutions	7	10	7
Investments	4	42	39
Insurance	0	1	2
VFAs	0	0	8
Gaming Operators	6	58	14
TCSPs	10	70	64
Other DNFBPs	6	17	16



THEMATIC EXAMINATIONS

In 2021, the Supervision Section carried out a number of thematic examinations.

Thematic examinations of property acquisition through own funds

In January 2021, the DNFBPs Supervision Team initiated a series of 10 thematic compliance examinations on six notaries and four real estate agents. The objective was to assess compliance by notaries and real estate agents that were involved in high value contracts, including properties within 'Special Designated Areas', and which were financed by the customers' own funds. Through these examinations, the team assessed these SPs' level of compliance related to a number of selected AML/CFT obligations, including:

The assessment of ML/FT risks emerging from customers using own funds for high value property acquisition when carrying out the BRA.

The carrying out of Customer Risk Assessments (CRAs) on customers who use their own funds to purchase properties.

The application of Enhanced Due Diligence (EDD) measures, where necessary, specifically to assess the source of funds.

Thematic examinations on obligations related to beneficial ownership

Between September and December 2021, 40 thematic examinations focusing on beneficial ownership-related obligations were carried out. These examinations were carried out on Company Service Providers (CSPs) providing services to Maltese registered entities and focused on the following obligations:

Whether CSPs had adequately identified and verified the customer and the beneficial owners through documents, data and information obtained from reliable and independent sources.

Whether identification and verification of customers and beneficial owners was carried out prior to the establishment of a business relationship or the carrying out of an occasional transaction.

Whether adequate ongoing monitoring was implemented by the CSP to ascertain that data, documents and information on beneficial ownership is kept up to date.

Whether CSPs carried out checks to ascertain that beneficial ownership data had been duly registered with a designated beneficial ownership register.

That any red flags of potential beneficial ownership concealment were adequately assessed by the CSP and whether an STR was submitted to the FIAU, if applicable.

3. Guidance

The Supervision Section is also responsible for providing guidance to SPs on the interpretation and practical application of AML/CFT obligations.

250 AML/CFT related queries answered

265 REQ/CASPAR related queries answered

BUSINESS RISK ASSESSMENT GUIDANCE NOTE

In the second quarter of 2021, the FIAU drafted an analytical document for guidance purposes based on an analysis of BRAs carried out across Maltese sectors subject to AML/CFT supervision and the results obtained. This document also included good practices that should be adopted by SPs in carrying out their BRA.

The analysis included the process of reviewing the BRA compiled by a sample of active SPs. The chosen SP's BRA was analysed to identify whether it met obligatory requirements detailed in the PMLFTR and the IPs, and whether it was in line with the SP's business model, operations, customer base and AML/CFT control framework.

The BRAs were analysed individually to identify the adequacy of the methodology used, check the identification and assessment of risks to which SPs are exposed and evaluate all the assessment of controls that the SP introduced to mitigate the risks. Finally, all the data recorded was collated and common traits and practices were identified and analysed. These findings were then presented in a guidance document aimed at highlighting best practices for SPs to use when carrying out their BRA.

A training session was also provided to SPs on the results that were presented in the paper. The guidance document is available to the public on the FIAU's website.



QUERIES

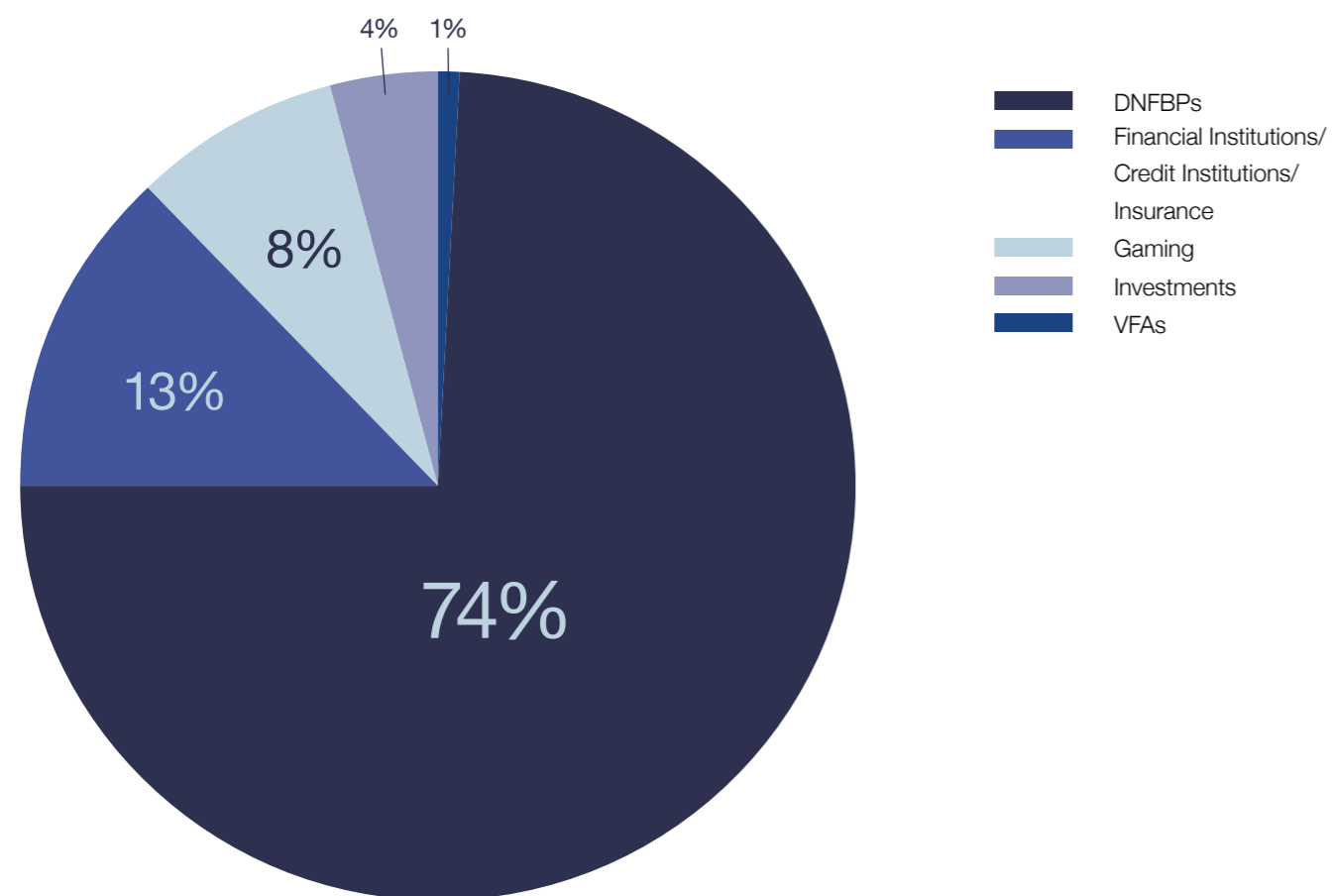
AML related queries

Throughout 2021, the Supervision Team was heavily involved in providing guidance to SPs through replies to queries received through the dedicated queries mailbox.

During 2021, a total of 250 queries were received and duly replied to via email by the Supervision Section.

Queries replied to by sector

Chart 12



2021

CASPAR/REQ QUERIES

Another 265 queries were also received and replied to during the REQ period (that is, February – April 2021). These queries were in relation to CASPAR and REQ related clarifications received in a dedicated CASPAR mailbox.

4. Remediation

THE REMEDIATION TEAM

The Remediation Team was set-up in the second quarter of 2021. The team is responsible for reviewing remediation plans submitted by SPs following the communication of shortcomings in the AML/CFT compliance programmes as identified during compliance examinations. The team is also responsible for monitoring and following-up on the implementation of remedial action plans. It offers support to subject persons to ensure that the plans effectively address the shortcomings identified during compliance examinations. The team also assists in formulating guidance to SPs by providing feedback on examination outcomes and remediation initiatives.

THE SUPERVISION COMMITTEE

The Supervision Committee was set up in the first quarter of 2021. The Committee determines the outcome of SP compliance examinations that did not result in the identification of serious, systematic and/or repetitive breaches of AML/CFT obligations. In these scenarios, the Supervision Committee may decide the following:

- A To send a closure letter to the SP in cases where no shortcomings in the AML/CFT compliance programme are identified during a compliance examination. This letter is also issued when the SP demonstrates that sufficient remedial action was already implemented to address any gaps identified by the supervisory team and may include some recommendations for the SP to further strengthen its AML/CFT control framework.
- B To send a remediation letter to the SP officially requesting it implement a remedial action plan within a stipulated timeframe to address shortcomings identified during a compliance examination.

When the outcome of compliance examinations of SPs results in the identification of serious, systematic and/or repetitive breaches of AML/CFT obligations, the case is referred to the Enforcement Section.

As at end of December 2021, the Supervision Committee held 177 meetings to discuss the outcome of compliance examinations held on SPs. The following table shows what meetings were held by sector.

Meetings held by the Supervision Committee

Table 10

Sector	Number of meetings held	Number of remediation letters issued	Number of closure letters issued following compliance examinations	Number of closure letters issued following implementation of remedial action
Credit Institutions	4	1	1	0
Financial Institutions	7	0	0	0
Investments	33	16	1	8
Insurance	0	0	0	0
VFAs	3	1	0	0
Gaming Operators	17	5	0	1
TCSPs	94	25	12	12
Other DNFBPs	19	5	2	11

5. Cooperation

THE QUALITY CONTROL AND COOPERATION TEAM

This team, set up in 2021, is responsible for the ongoing monitoring and enhancement of the quality of supervisory related processes. The team assists the supervision teams in effectively carrying out their functions, and ensures quality and cohesion between the different supervisory teams. This team strives to achieve co-ordination and harmonisation when collaborating with the MFSA and the MGA in carrying out supervision on SPs. It is responsible for reviewing and updating the section’s policies and procedures, and providing training to supervision officers on any updates in supervisory processes to maintain the harmonisation of these supervisory processes.

The team is also responsible for engaging with both local and foreign supervisory authorities to promote cooperation in AML/CFT matters in line with EU legislation.



PARTICIPATION IN THE WORKING GROUPS OF THE NATIONAL RISK ASSESSMENT FOR 2022

Members of the Supervision Section were heavily involved in 2021 in participation in working groups responsible for carrying out the 2022 NRA. In this respect, members of the Supervision Section participated and contributed to the following working groups:

Notaries and Real Estate Agents

Lawyers, Accountants and Auditors

TCSPs and Legal Arrangements

Banking Institutions

Financial Institutions

Investment Services and Virtual Asset Service Providers

Insurance and Pension Schemes

Gaming Sector

Supervision officers gathered and analysed ML/FT risk data relating to these eight sectors, as well as the quality of the mitigating controls that are in place. The Supervisory Section also headed the drafting of the Banking Sector Risk Assessment of the NRA.



COOPERATION WITH OTHER SUPERVISORY AUTHORITIES

In virtue of Articles 16(1)(k) and 27 of the PMLA, the FIAU is required and empowered to co-operate and exchange information with any local and foreign supervisory authority on AML/CFT matters.

Cooperation with the MFSA and the MGA

Article 16(1)(k) of the PMLA empowers the FIAU to co-operate and exchange information with other supervisory authorities. Collaboration between the authorities is also fostered through memoranda of understanding (MoUs).

Article 27(3)(b) of the PMLA permits the FIAU to request other supervisory authorities to carry out compliance examinations on behalf of, or jointly with, the FIAU. These compliance examinations are carried out on SPs falling within the competence of the relevant supervisory authority.

The MFSA and MGA carried out a combined total of 72 examinations on the FIAU's behalf in 2021. The MFSA and MGA adopt the same process and methodology used by the FIAU when carrying out these examinations on the FIAU's behalf. To this end, the Quality Control and Cooperation Team is responsible for providing support to the MFSA and MGA, as well as to ascertain that the examinations carried out are in line with the Supervision Section's established procedures.

The FIAU is also involved in the MFSA's authorisation process for new licence applications on a risk-based approach. This takes place at an early stage of the authorisation process, with the MFSA sharing information on the applicant's business model, governance structure and AML/CFT policies and procedures. Discussions between the two authorities are then held from an AML/CFT compliance and risk perspective.

Tripartite meetings, involving the MFSA, the FIAU and the applicant, are also held and are focused particularly on discussing AML/CFT related issues. These interactions ensure that a holistic approach to address ML/FT risks is applied during the licensing stage. In this respect, the FIAU provided feedback to the MFSA on nine new applications in 2021.

On a risk-based approach, the FIAU is also involved in the approval process of new MLROs and attended 37 MLRO interviews in 2021.

As part of the FIAU's risk assessment process, both the MFSA and the MGA share information on SPs falling under their competence. This information is analysed by the Risk Team and used to build ML/FT risk profiles of SPs. During 2021, the MFSA and the MGA provided information on a total of 591 and 258 SPs respectively. This information was analysed and inputted in the FIAU's CASPAR system.

The FIAU also maintains a high level of communication and cooperation with the MFSA and the MGA through bi-weekly meetings as well as through open channels of communication. Notwithstanding the FIAU together with MFSA and MGA, is evaluating ways to enhance cooperation in the near future.

Cooperation with the Malta Business Registry

The FIAU and the Malta Business Registry (MBR) share a common goal of ensuring that Malta's financial system is not used for ML/FT purposes. This common goal is reflected especially in ensuring that beneficial ownership obligations are duly met by the persons and entities subject to the two parties' respective supervisory mandate. The FIAU entered into an MoU with the MBR for this purpose in 2021.

The FIAU and the MBR shared extensive information to ensure that beneficial ownership data held by the MBR was correct and complete, and to ensure that SPs were complying with beneficial ownership obligations.

Cooperation with the Sanctions Monitoring Board

In 2018, the FIAU, the MGA, the MFSA and the Sanctions Monitoring Board (SMB) entered into an MoU to co-operate on safeguarding the Maltese financial, gaming and DNFBPs sectors from being misused for criminal purposes, including terrorism, funding of terrorism and the financing of the proliferation of weapons of mass destruction. The FIAU, MFSA and MGA provide assistance to the SMB with the monitoring of SPs' compliance with their obligations, as stipulated in the National Interest (Enabling Powers) Act, Cap. 365 of the Laws of Malta) by conducting checks to assess SPs' compliance with sanction screening obligations during AML/CFT compliance reviews.

These reviews are designed to assess sanction screening policies and procedures applied by SPs in terms of Article 17(6) of the NIA. A sample of customers serviced by the SP being supervised by the FIAU, MFSA and MGA are also screened for sanction-related hits and any identified hits are relayed to the SMB accordingly.

The FIAU, the MFSA and the MGA report the results of the sanction screening reviews directly to the SMB for further consideration and potential action.

Reports sent to the SMB

Table 11

Sector	2019	2020	2021
Credit Institutions	4	8	3
Financial Institutions	1	11	7
Investments	1	39	33
Insurance	0	0	2
VFAs	0	0	3
Gaming Operators	0	6	17
TCSPs	4	55	35
Other DNFBPs	1	15	13

Cooperation with the Central Bank of Malta

In 2021, the Supervision Section exchanged information on 14 financial institutions with the Central Bank of Malta (CBM). This exchange of information follows the collaboration between the authorities, which was solidified in 2020 through the signing of an MoU.

In addition, the Supervision Section participated in three meetings organised by the Payment System Participation Review Board in 2021. The Board, set up by the CBM, is responsible for assessing whether prospective participants to the MTEUROPAY payment system operated by the CBM have the required governance, systems and procedures in place to comply with the PMLA and PMLFTR.

Cooperation with foreign authorities

In line with EU legislation, European Supervisory Authority expectations and the FATF International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation, the FIAU also co-operates and exchanges information with other competent authorities in the EU. The Supervision Section shared 24 items of information with foreign authorities in 2021. This included both exchange of information in relation to AML/CFT supervisory practices applied by the FIAU as well as information on specific SPs.

Cooperation with foreign authorities through colleges

In December 2019, the three European supervisory authorities (the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA)) published joint guidelines on cooperation and information exchange between competent authorities that supervise credit and financial institutions in terms of Articles 50a, 57a and 57b of Directive (EU) 2015/849.

The guidelines led to the establishment of AML/CFT colleges. These provide a permanent structure for cooperation and information exchange between supervisors from different member states and third countries that are responsible for the AML/CFT supervision of cross-border groups. The colleges also aim to support competent authorities' understanding of ML/TF risks associated with cross-border groups and to foster the development of consistent and effective supervisory approaches to AML/CFT supervision across the EU.

The FIAU attended five colleges established by EU AML/CFT supervisors in relation to Maltese SPs operating within a cross-border group in 2021. The Quality Control and Cooperation Team co-ordinates the FIAU's participation in the colleges and is also responsible for exchanging data on SPs relevant to each college.

Participation in the Standing Committee on Anti-Money Laundering and Countering Terrorist Financing

In line with Article 9 of Regulation (EU) No. 1093/2010, the EBA established a permanent internal committee on AML/CFT that brings together senior representatives of national AML/CFT competent authorities. The main objective of the Anti-Money Laundering and Countering Terrorist Financing (AMLSC) is to co-ordinate measures to prevent and counter the use of the financial system for ML/FT purposes and to prepare all draft decisions to be taken by the EBA in the context of Directive (EU) 2015/849 (AMLD) and Regulation (EU) 2015/847 (Wire Transfer Regulation).

In this regard, during 2021, the Supervision Section attended seven meetings organised by the AMLSC. The meetings included updates by the EBA and the European Commission, as well as discussions among member states on a variety of AML/CFT matters.



2.3

Enforcement

The Enforcement Section is responsible for the implementation of administrative measures, as decided by the Compliance Monitoring Committee (CMC), for breaches of Anti-Money Laundering and Combating the Funding of Terrorism (AML/CFT) obligations.



After a potential breaches letter is issued, the case is forwarded to the Enforcement Section, which conducts a thorough review of the potential breaches letter and representations made by the subject person (SP). Subsequently, the case is raised before the CMC for its consideration and decision.

The CMC then confirms or otherwise the findings and decides on the enforcement measures to be taken. In accordance with applicable legislation, EU directives and FATF standards, these must be effective, proportionate and dissuasive.

The Enforcement Section also monitors and checks for failure to submit the Risk Evaluation Questionnaire (REQ) or for its late submission. The submission of an REQ is an important legal obligation for all SPs and is one of the tools the FIAU uses to assess an SP's risk.

The Section also carries out periodic exercises with the FIAU Intelligence Analysis Section to check for failure or late replies to FIAU requests for information. Information obtained from subject persons following requests for information made by the Unit, are used for multiple purposes. These include the carrying out of the FIAU's analytical function in an effective and efficient manner, the provision of information to national and foreign counterparts as well as the carrying out of strategic and tactical analysis. In turn the latter enable the FIAU not only to identify emerging threats and trends, but also to communicate these to subject persons in a bid to assist and support them in honouring their obligations in the fight against ML/FT.

Replying to FIAU requests for information as well as the completion of the REQ are very serious obligations which if not honoured in a timely manner have serious repercussions on the effectiveness of the FIAU's functions at law. The correct and timely submission of the REQ is equally essential. The REQ submission enables the Supervision Section of the FIAU to have a better understanding of the operations, risks and controls of each SP, which information is crucial for risk

assessment purposes. The risk assessment in turn enables risk-based supervision, and the effective allocation of resources to target risk and control areas in an efficient manner. Failure to comply with these requests (both the REQ and requests for information) is also brought to the CMC's attention.

The Section carries out further periodic exercises, in collaboration with the Malta Business Registry (MBR), on companies that the Registrar of Companies has struck off as defunct. In these circumstances, requests for information, as well as directives, may be issued to SPs associated with these companies.

SPs may be required to carry out various checks on these companies, as well as to provide pertinent information to the FIAU. This exercise may lead to the identification of certain failures, including that to submit suspicious transaction reports (STRs) to the FIAU.

The Enforcement Section is also responsible for administrative action on breaches of the Central Bank Account Register (CBAR) Regulations, as well as to issue CBAR Directions, as necessary. The enforcement process envisages the referral of potential breaches to the CMC for consideration and decision. The Enforcement Section is then responsible for the implementation of CMC decisions.

During the year under review, the Enforcement Section increased its staff complement from 10 officials to a total of 13 officials. This increase in staff is in line with the FIAU's development plan and its commitment towards higher effectiveness. The increase in capacity has enabled the Enforcement Section to deal with more serious cases of non-compliance with AML/CFT obligations by SPs. The enforcement actions taken, together with the subsequent publication of administrative measure(s) taken, ensures that FIAU action is effective and dissuasive, increases compliance and raises awareness about SPs' AML/CFT obligations.



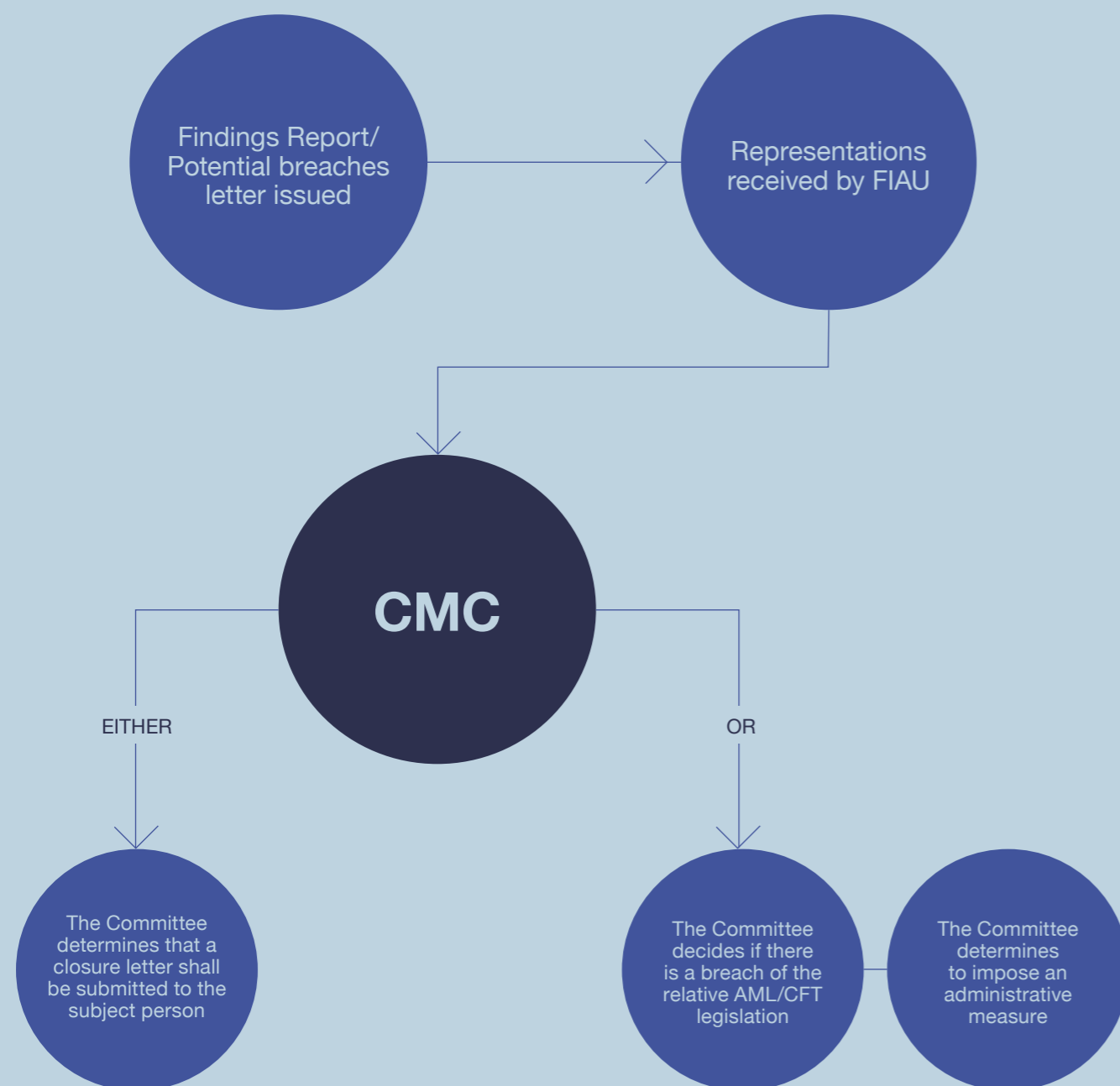
"Stopping money laundering is not just about stopping someone from fixing the books. Stopping money laundering is about saving peoples' lives. It's about going after the money in people trafficking that sees hundreds of thousands of people being forced into prostitution and forced labour, It's about stopping drug dealers from laundering their money which can be used to fuel gun crime, stabbings and murders".

DAVID LEWIS

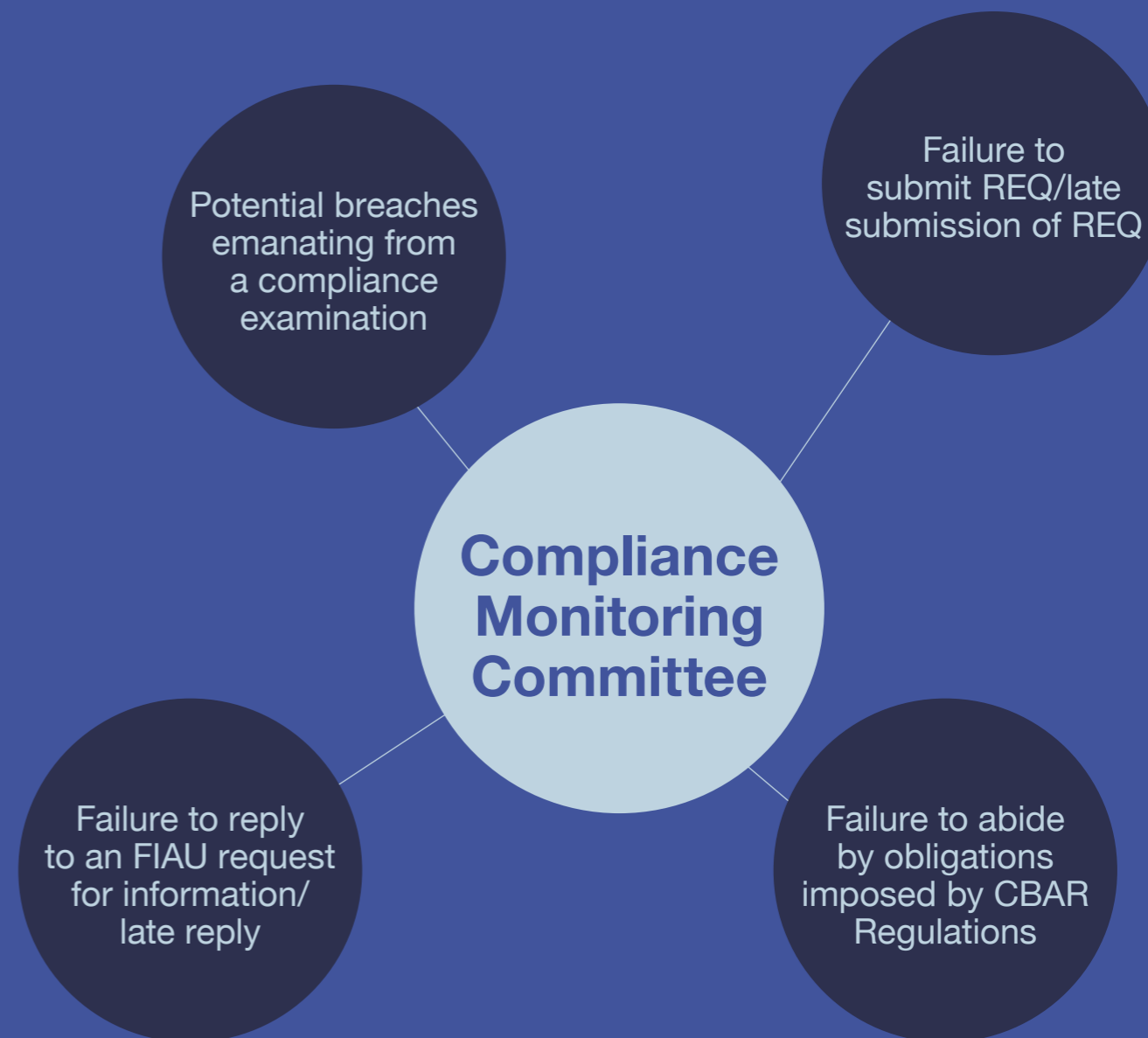
FORMER FATF EXECUTIVE SECRETARY

What we do

The role of the Enforcement Section is to ensure that, following the identification of potential breaches of SPs' obligations in terms of local AML/CFT legislation, Implementing Procedures (IPs) and other guidance notes issued by the FIAU, the case is brought forward before the CMC for its consideration and concluding decision on both breaches committed and consequent enforcement measures necessary. Furthermore, the Enforcement Section ensures that, following any decisions taken by the CMC, SPs adhere to any directive imposed and take remedial actions. In addition the Section follows up with the SPs to ensure that there is concrete enhancement to one's risk understanding and to the necessary control frameworks. This ensures that the administrative measure is effective.



A potential breaches letter may be issued to an SP to report the findings originating from a compliance examination. It may also be issued to an SP when a potential breach of an AML/CFT obligation is identified, following information received from the CBAR Section. SPs who fail to submit the REQ, submit it late, fail to reply to a request for information made by the FIAU's Intelligence Section or reply late may also be served with a potential breaches letter.



Prior to the referral of a case to the CMC, an in-depth review and assessment of each case is carried out to ensure that the CMC is presented with a fair and complete picture of the case. This review includes the careful and detailed examination of:

The potential breaches letter issued.

The representations submitted by the SP.

All the evidence submitted by the SP.

The evidence gathered by the FIAU at potential breaches stage.



Following the Committee's decision, the Enforcement Section is tasked with communicating the decision taken to the SP in writing, together with the reasons supporting the decision.

When the CMC decides that an administrative measure is to be imposed, the decision, together with a summary of the facts leading to the imposition of the administrative measure, is published on the FIAU website¹. This not only serves the purpose of public information, but also raises awareness about the obligations that must be complied with and contributes to the dissuasiveness of enforcement action.

What are our aims?

The Enforcement Section aims to:

Ensure that each case is presented in a comprehensive and fair manner to the CMC.

Make sure that the decision delivered by the CMC is reflected in the letter submitted to the SP.

Follow up with the SP to ensure that the breaches determined by the CMC are effectively remediated by the SP.

The overarching aim, in line with the FIAU's vision, is to encourage, educate and assist SPs to comply with their AML/CFT obligations.

Compliance Monitoring Committee

The CMC, set up internally within the FIAU, is responsible for taking enforcement decisions, and ensuring that these are taken in accordance with the policies established by the FIAU's Board of Governors.

The CMC can confirm or otherwise dismiss the potential breaches of AML/CFT legislation and IPs referred to it for its consideration as outlined in the potential breaches letter. It also decides on the most appropriate administrative measure to impose, depending on the type, nature and circumstances of the breach determined. This is also reached by assessing the seriousness, systemic and repetitive repercussions of the case presented. The CMC entrusts the Enforcement Section to act on the decision it takes for each case brought before it, both in communicating its decision to the SP and to follow up on any directives issued.

The overarching aim, in line with the FIAU's vision, is to encourage, educate and assist subject persons to comply with their AML/CFT obligations.

¹ In circumstances when the CMC imposes an administrative penalty of more than €5,000, the SP also has the right of appeal before the Court of Appeal (Inferior Jurisdiction). In this circumstance, the publication will refer to the appeal. Following the court's decision, an Appeal Decision Notice is issued.

The CMC is composed of the following members:

- Director (the Chairman)

- Deputy Director (who shall act as Chairman in the absence of the Director)

- Head of Enforcement

- Committee Secretary (The Secretary does not have any voting rights)

- A representative from the Legal Section not below the rank or grade of Senior Officer

- A representative from the Enforcement Section not below the rank or grade of a Senior Officer

The CMC met 54 times in 2021, discussing various cases. To arrive at their conclusions in the cases under review, Committee members have full and unfettered access to all information and documentation collected by the Supervision Section and to the representations and evidence provided by the SP. The Committee discusses the review carried out by the Enforcement Section to determine breaches of the SP's AML/CFT legal obligations. The cases are discussed in substantial detail, including through the comprehensive assessment of the evidence obtained at potential breaches stage and the representations and evidence submitted by the SP. When taking a decision on the actions necessary, the CMC assesses the materiality, seriousness and systemic concerns of the failures identified. A review of any repetitive failures is also carried out. Consideration is given to remedial actions already taken or commitment demonstrated by the SP to implement remedial actions.

The decision taken by the CMC, depends on various factors including:

- The size of the subject person.

- The sample size of files selected in the case of a compliance examination.

- The serious and/or systematic nature of the findings identified.

- The complexity of the structures of the subject person's customer base, as well as the possible ML/FT risk identified.

- The complexity of the transactions received/effected by the customers.

- The material impact of the failures, be they actual or potential on both the SP and the jurisdiction.

- The level of regard portrayed by the SP to its AML/CFT obligations and the cooperation demonstrated, both before and after the examination, as well as during the review.



Based on these considerations, the Committee decides on the most appropriate administrative measures to impose, ensuring that the measures imposed are **proportionate, effective and dissuasive**.

Proportionate

The term proportionate refers to a range of enforceable measures which can be applied in accordance to the severity of the breach, with the aim of ensuring that the enforcement measure imposed is commensurate to the breach determined by the CMC.

By way of example, this includes the imposition of administrative penalties, directives to take remedial actions or reprimands in case of minor failures.

Effective

The term effective means that the enforcement measure (or measures) applied is sufficient and adequate to the extent that it promotes compliance by the subject person against whom the measure has been imposed and deters the subject person from performing the same breach in the future.

Dissuasive

The term dissuasive refers to the extent to which an administrative measure can deter non-compliance by other subject persons not subject to such an enforcement measure. This is attained through the official publication notices, factsheets, guidance papers and outreach mechanisms aimed at sharing case studies and ML typologies and providing guidance on the control framework necessary to manage them.

To ensure that the measures applied adhere to these three principles, the CMC observes a strict procedure in line with the CMC Governing Principles and Framework and is guided by the Sanctions Policy to reach a decision that is justified for the circumstances of the case.



When an administrative penalty is applied, the Committee may decide that a directive to remedy the failures identified is also served on the SP. The Committee may also conclude that a written reprimand is warranted for minor breaches of the law. The Committee needs to evaluate the case while bearing in mind the three considerations set out below. It then decides which enforcement measure/s need/s to be imposed.

A Seriousness of the breach

The CMC considers whether the breach is serious by taking into consideration the nature of the obligation breached and its importance, the type of SP who performed the breach and the period within which the breach subsisted. The material impact of the breach is also factored in to the decision making process.

B Systemic nature of the breach

The CMC considers whether the breach is systemic and, if so, whether it is a qualitative systemic breach or a quantitative systemic breach. The aim is to distinguish between one-off failures and those which are not.

C Repetitive nature of the breach

The CMC considers whether this is the first time that the SP has been found in breach of this obligation or whether it is repeated.

ENFORCEMENT MEASURES

The Committee may impose several different administrative measures, and in some cases may even decide to impose two or more measures simultaneously. The measures that may be imposed are:

<p>Administrative penalty</p>	<p>A pecuniary fine may be imposed for a breach of an AML/CFT obligation. The fine may range from €250 to €1,000 for minor breaches; up to €1,000,000 for serious, repeated or systemic breaches by SPs carrying out relevant activity; and up to €5,000,000 for SPs carrying out relevant financial business. Where €5 million is not considered as proportionate, dissuasive and effective enough, a fine of more than €5 million and up to 10% of total annual turnover may be imposed on SPs carrying out relevant financial business. When the fine exceeds €5,000, the SP has the right to file an appeal before the Court of Appeal (Inferior Jurisdiction).</p>
<p>Directive to take remedial action</p>	<p>The purpose of a directive is to require an SP to remediate the shortcomings identified during a compliance examination.</p> <ul style="list-style-type: none"> • A directive issued by the FIAU may require an SP to update policies and procedures and/or to review customer files within specific time frames. • It may also require the SP to draw up an action plan, with specific action points and target dates for the completion of each point. Meetings are held with the SP on a periodic basis, depending on the extent of the directive and the seriousness of the failures determined. • The follow-up action may also require the implementation or enhancement of systems and measures used to mitigate ML/FT risks and to provide system walk-throughs, as necessary. The follow-up action may also require the provision of customer files for review by the FIAU and the interviewing of the SP's officials.
<p>Written reprimand</p>	<p>The CMC may decide to issue a written warning to the SP for minor breaches of AML/CFT obligations that apply to its operations.</p>
<p>Publication of Administrative Measures</p>	<p>In accordance with Article 13C of the PMLA, the FIAU publishes all administrative measures imposed by the CMC on its website. When an administrative penalty imposed does not exceed €50,000, the publication is anonymous. The purpose behind publication is two-fold:</p> <ul style="list-style-type: none"> • it is a dissuasive mechanism that aims to deter non-compliance by other SPs; and • it is a means to raise awareness among SPs about their AML/CFT obligations.
<p>Termination of particular business relationships</p>	<p>The CMC has the power to request an SP to terminate a business relationship when, based on the findings identified, it determines that the relationship exposes the SP to extreme ML/FT risks.</p>
<p>Notification or recommendation to other supervisory authorities</p>	<p>The Committee may decide that the findings identified require the attention and potential action by other supervisory authorities.</p>

ENHANCING THE VALUE OF ENFORCEMENT MEASURES

As can be seen from Table 12 and Chart 13, during the past year, the FIAU performed supervisory and enforcement actions to better ensure SPs' compliance with the PMLFTR and the FIAU's IPs. These actions form part of the FIAU's over-arching function to combat ML/FT. The Enforcement Section issued 28 administrative measures (including administrative penalties and/or directives to take remedial actions) relating to AML/CFT supervisory visits that were carried out on SPs. Of these, 12 were published on an anonymous basis, meaning that the visit had either resulted in a directive to take remedial action, or in an administrative penalty that did not exceed €50,000.

To add value to the use of enforcement measures and in line with the FIAU's aim to assist SPs to comply fully with their AML/CFT obligations by supporting improved understanding, during 2021 the Enforcement Section carried out a review of all these actions and collated the most common failures identified across sectors. This was presented in the Enforcement Factsheet: Common failures across sectors subject to AML/CFT Supervision. The paper included a summary of the common pitfalls and major shortcomings that were observed during compliance examinations, and the issues that led to SPs being found in breach of regulatory obligations under the PMLFTR and the FIAU's IPs.

The most common failures noted across all sectors were those related to:

Deficiencies in the customer risk assessment (CRA) methodology.

Not obtaining all the information necessary in relation to the purposes and intended nature of the business relationship.

Not carrying out the necessary enhanced due diligence (EDD) measures for high-risk customers.

Non comprehensive policies and procedures.

Non comprehensive customer verification measures.

Failure to carry out effective scrutiny of transactions.

Deficiencies in the business risk assessment (BRA) methodology, including in the effective assessment of risks posed by jurisdictions.

For further information in relation to some case studies that will also feature in the updated Enforcement Factsheet, refer to Annexes 4, 5 and 6 on pages 161 - 163.





STATISTICAL ANALYSIS

Administrative penalties per sector imposed

Table 12

Sectors	Administrative penalties imposed per sector following a compliance examination	Number of directives imposed per sector following a compliance examination	Administrative penalties imposed following failure to carry out periodic reporting or late submissions in 2021	Administrative penalties imposed following failure to reply or late reply to requests for information
Credit Institutions	€8,116,419	4	–	€177,250
Financial Institutions	€2,183,154	5	€800	€55,750
Investment Services	€346,702	–	€24,320	€27,800
Life/Long-Term Insurance	–	–	€9,120	–
Gaming Operators	€863,394	4	€52,040	–
TCSPs	€112,500	3	€13,680	€154,650
Notaries	€119,811	2	€7,560	–
Accountants/Auditors /Tax Advisors	–	–	€5,020	€1,050
Advocates	–	–	€720	–
Real Estate Agents	€63,189	1	€23,160	–
Total	€11,805,169	19	€136,420	€416,500

An administrative penalty of €18,000 was also issued to a credit institution for its failure to comply with a monitoring order, in breach of Article 30C of the PMLA and Section 5.9 of the IPs.

Consequently, the total amount of administrative penalties imposed during 2021 amounted to **€12,376,089**.

For further details on the findings noted in 2021 across all sectors, please refer to Annexes 7, 8 and 9 on pages 164 - 167 which delineate the breaches noted in the Financial and non-Financial Sectors.

Remedial actions served

Chart 13

26%

Financial Institutions

21%

Credit Institutions

21%

Gaming Operators

16%

TCSPs

11%

Notaries

5%

Real Estate Agents



2.4

Centralised Bank Account Register



What is CBAR?

Launched in October 2020, the Centralised Bank Account Register (CBAR) is a data collection and retrieval system for bank and payment accounts identifiable by IBAN, safe custody services (SCS) and safe deposit boxes (SDB) provided by credit and financial institutions.

The requirements originate from Directive (EU) 2018/843, commonly referred to as the 5th AML Directive, and Directive (EU) 2019/1153 on the use of financial and other information. These were transposed into local legislation via the Centralised Bank Account Register Regulations (CBAR Regulations). As part of the local transposition, the FIAU has been vested with the power to establish and administer CBAR.

How is the register populated?

All 31 Subject Persons eligible under the CBAR reporting regime (i.e., those institutions issuing bank and payment accounts identifiable by IBAN, providing SCS or SDB, hereinafter referred to as Reporting Entities), submit the required data electronically on a weekly basis. Data consists of account details and details on natural persons, legal entities and legal arrangements involved with the accounts in the capacity of account holders (AC), signatories (SG) and beneficial owners (BO). In 2021, the FIAU received close to **2,000** valid data files which passed successfully through a rigorous validation process.

Who can access the register?

As stipulated in the CBAR Regulations, designated users from the following authorities (Designated Authorities) are eligible to access CBAR directly:

Financial Intelligence Analysis Unit

National authorities conducting criminal investigations into or prosecutions of money laundering, associated predicate offences, funding of terrorism or any other serious criminal offence

Asset Recovery Bureau

Commissioner for Revenue

Sanctions Monitoring Board

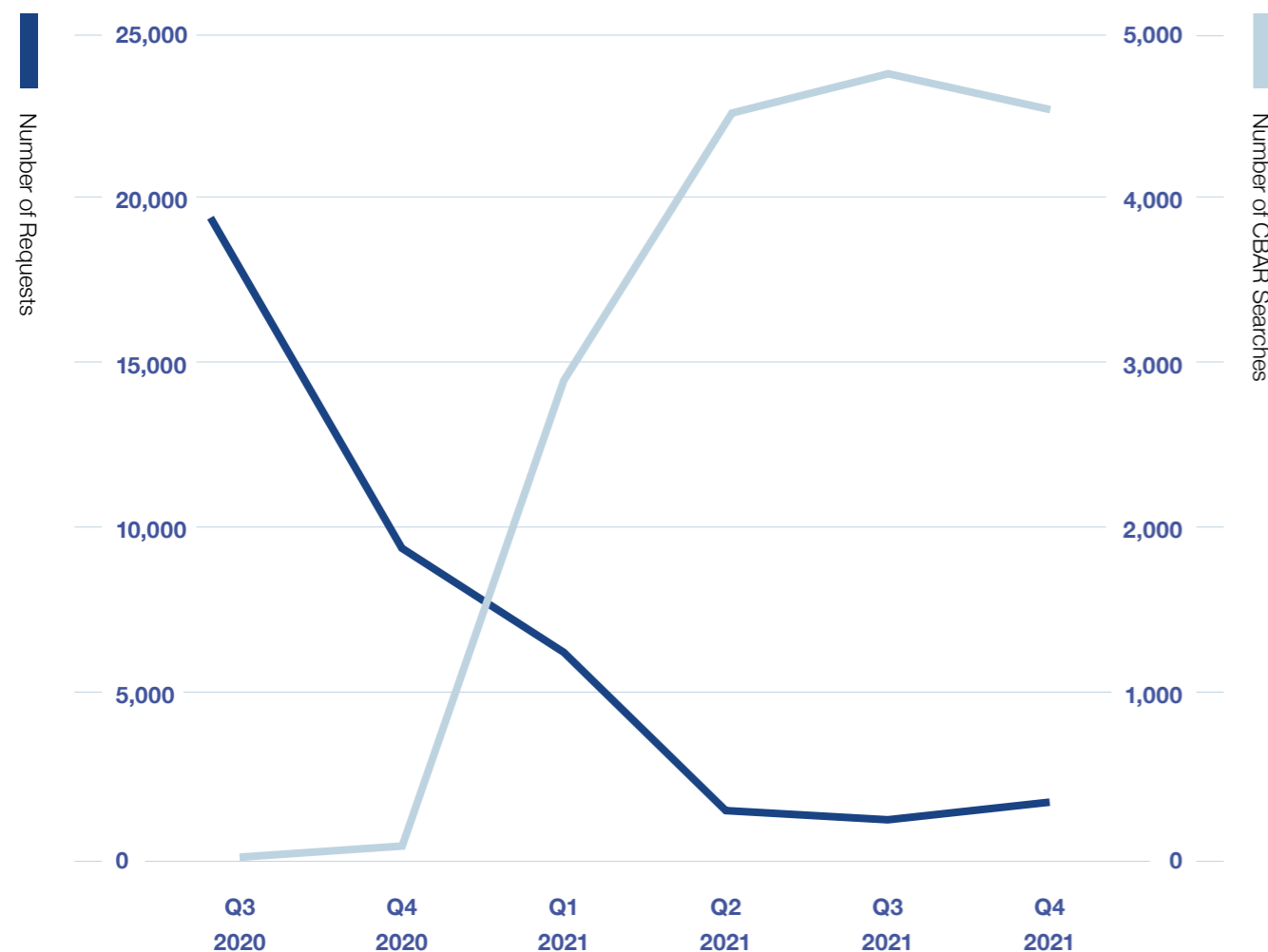
Security Service

CBAR proves to be a valuable financial intelligence resource on bank account information for Designated Authorities, all of which have gradually adopted it as part of their day-to-day processes. Now entering its second year of operation, the system racked up over **16,800** searches across **42** designated users in 2021. As a result, information previously taking up to five days to obtain is now generated in a matter of seconds.

This has also drastically reduced the number of requests for information submitted by the FIAU to banks making way for more targeted requests based on CBAR as demonstrated in the following graph:

Information Requests vs CBAR Searches

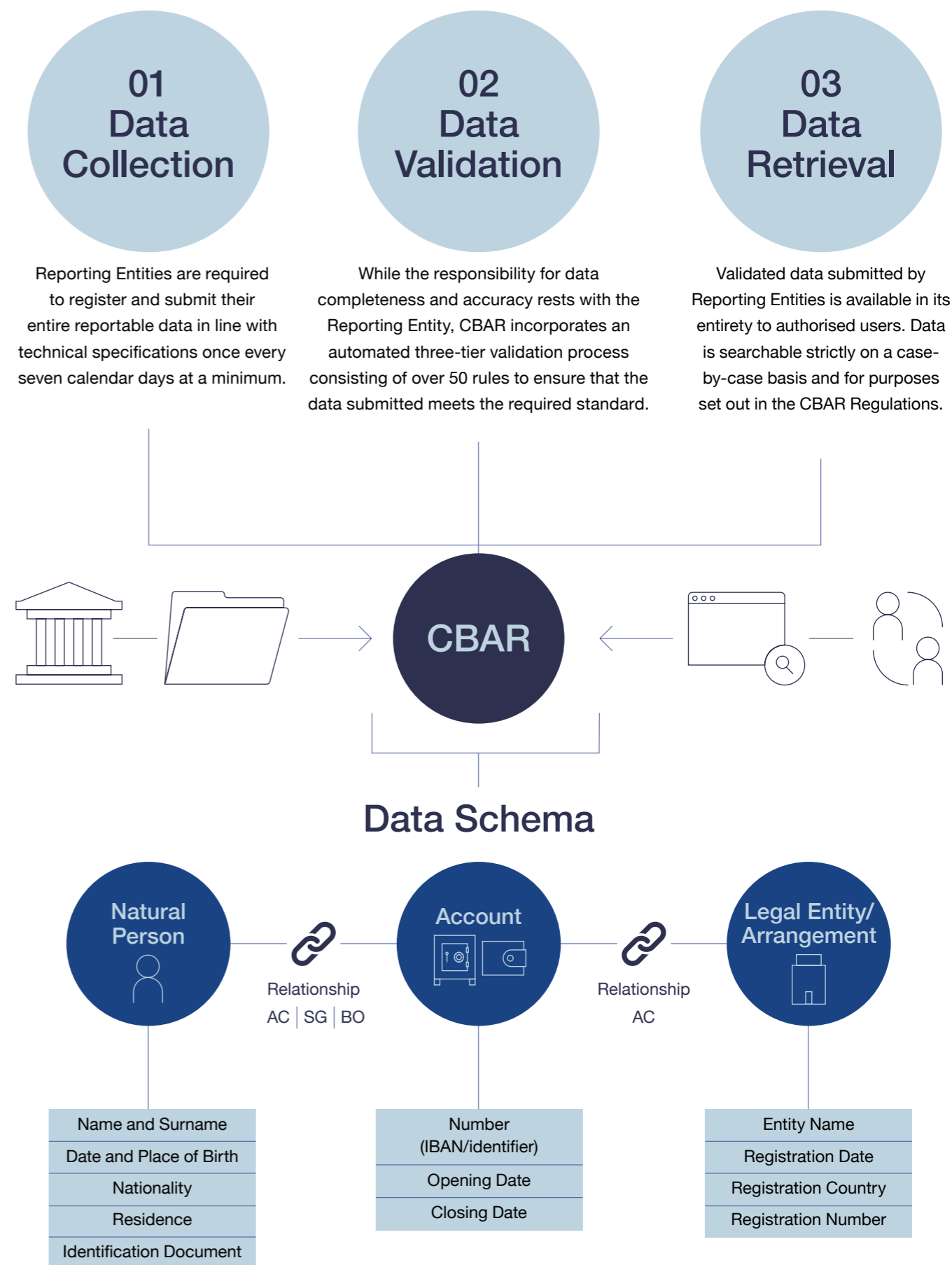
Graph 1



As depicted in the above graph, the introduction of CBAR has led to a steady decline in the number of requests for information issued by the FIAU. Conversely, the level of searches on CBAR carried out by the FIAU over the same period has increased.

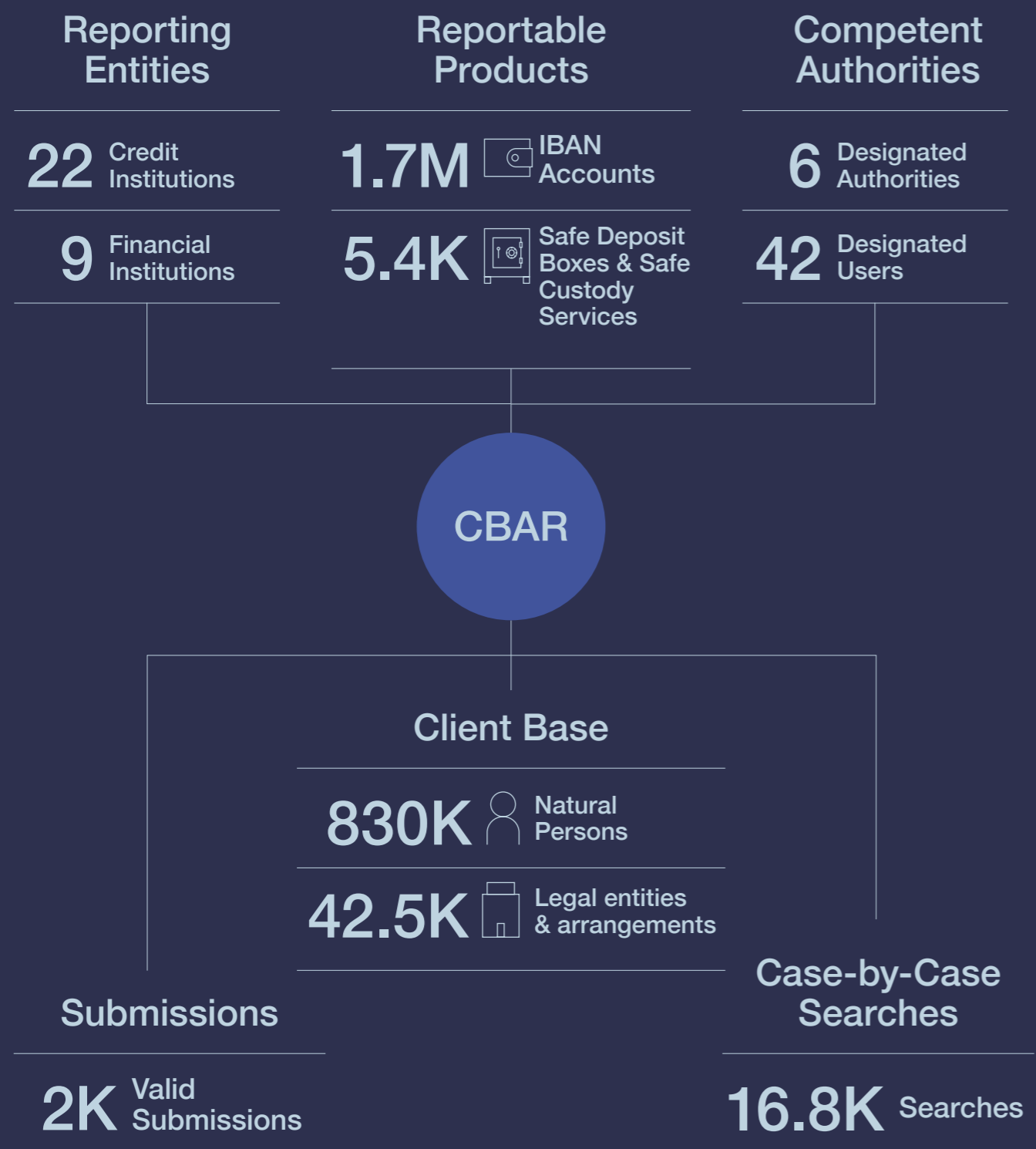


The high-level CBAR process



CBAR in numbers

Chart 14



Information reported above in relation to Reportable Products and Client Base refers to active relationships reported as at 24/01/2021. Persons or entities holding a relationship with more than one reporting entity are being counted multiple times in the above statistics for the amount to represent the number of clients across all reporting entities.



What kept us busy during the year?

The CBAR Section within the FIAU is responsible for coordinating efforts in data collection and data integrity; regulating access and use among designated authorities; and analysing requirements to maximise CBAR's potential.

Specialised training is routinely provided to Designated Authorities on the functionality of the system and its navigation, both at onboarding and upon launching new features.

Post launch, the CBAR Team also continued to work closely with developers to improve the system and introduce new features. Notable enhancements include:

New validation rules to ensure data submitted by Reporting Entities is of a higher quality.

Enhanced communication channels through the platform itself allowing users to communicate securely and efficiently with the CBAR Team.

Enhanced format for case-by-case data retrieval.

What's next?

In May 2020, the European Commission communicated an Action Plan for a comprehensive Union policy on the prevention of money laundering and terrorist financing. In its communication, the Commission highlighted the importance of an EU-wide interconnected system bridging together the various centralised bank account mechanisms of each member state. It noted that this interconnection should be considered as a matter of priority. In July 2021, the proposal for the 6th AML Directive published under the new AML package provides for a legal basis allowing for the interconnection of bank accounts registers in the EU with a single access point which will be developed and operated by the Commission. Just as CBAR expedited the process to obtain domestic bank account information, an EU-wide interconnected system will also improve the efficiency with which Financial Intelligence Units cooperate and collate intelligence on cross-border cases.

2.5

Cash Restriction

Using cash to purchase property or other expensive and luxury items is a relatively easy way to launder money obtained from illicit activities (such as drug trafficking, corruption and tax evasion). It enables the offender to convert proceeds of crime into assets that can then be enjoyed. It is also relatively easy to move items like jewellery, precious metals and stones, and other luxury items across borders to be sold and converted back into cash or other assets. In this manner, illicit cash is laundered with the additional benefit that no money trail is left.

Following feedback from various international bodies, Malta recognised the need to introduce certain restrictions on the use of cash, particularly also since there is still a high use of cash for purchases, including for high-value goods. Malta is one of a number of EU countries that have legislated to restrict the use of cash to help support the fight against money laundering and funding of terrorism (ML/FT).



LEGAL BASIS

In the 2019 FIAU Annual Report, it was reported that the Government of Malta had adopted a policy to restrict the use of cash for the purchase of certain high-value items. The FIAU was asked to assist with the drafting of the necessary legislation, and in 2020 it was also vested with the power to monitor compliance with the eventual legislation. On 9 March 2021, Legal Notice 81 was published in the Government Gazette bringing into force the Use of Cash (Restriction) Regulations (Subsidiary Legislation 373.04).

Once the law was in place and in force, the FIAU started to build the necessary team to ensure compliance with these regulations.

The most important, key point of the regulations is:

The prohibition of making and receiving payments or carrying out transactions **in cash amounting to, or exceeding €10,000**, when purchasing or selling the below **high-value goods**:



CAPACITY BUILDING

In line with the FIAU's development plan and capacity building, the recruitment process to identify and recruit high-quality officials for the Cash Restrictions Section is currently underway. The FIAU is committed to strengthen the cash restriction function and to allocate the necessary resources. The increase in the staff complement will enable the Section to effectively carry out an important function of the FIAU – to monitor and ensure compliance with the Use of Cash (Restriction) Regulations.

POLICIES AND PROCEDURES

The management team of the Cash Restrictions Section immediately embarked on setting up the policies and procedures which the FIAU requires for the Section's operations. The process involved internal discussions with other sections within the FIAU, including the Legal Affairs Section, Intelligence Analysis Section and Strategy, Policy & Quality Assurance Section. Consultation with other national authorities was also held to gain a better understanding of the legal aspects, establish working arrangements and agree on efficient communication channels for effective co-ordination.

The guiding principles of the policies and procedures are to ensure compliance with the applicable laws and regulations, more specifically the Prevention of Money Laundering Act (PMLA) and the Use of Cash (Restriction) Regulations. Together, the policies and procedures being drawn up are intended to:

Give guidance for decision-making.

Streamline and support internal FIAU processes.

Detail the working procedures on how to handle cases from the incoming information phase to the examination phase up to supporting a prosecution, when necessary.



GUIDANCE AND OUTREACH

The FIAU is conscious of the challenges that stakeholders will face to comply with the Use of Cash (Restriction) Regulations. In this regard, the FIAU embarked on a guidance and outreach programme aimed at stakeholders to promote openness and raise awareness. FAQs were designed to provide guidance and encourage stakeholders to engage with the FIAU through feedback and ideas for further improvement.

Subsequently, the FIAU participated in webinars/meetings to deliver informative presentations explaining the Use of Cash (Restriction) Regulations to those who are particularly impacted by this restriction (such as dealers in precious metals and stones, auto traders and notaries) and outlining the regulatory expectations applicable to them.

The FIAU engaged with foreign authorities to learn about best practices that are being implemented to effectively enforce the cash restriction policy. These bilateral meetings will enable the FIAU's Cash Restriction Section to further improve on its policies and procedures in monitoring, detecting and sanctioning illegal cash usage, which will support the fight against AML/CFT.

AWARENESS CAMPAIGN

The Cash Restrictions Section, together with the Communications and PR Section within the FIAU, initiated a project on public engagement. The first steps of this project were intended to raise awareness among the public through the FIAU's social media platforms (Facebook and LinkedIn) to bring the Regulations to the public's attention

The FIAU intends to engage in an ongoing awareness and educational campaign, through the use of various media channels and vehicles.

Sample of published advert:





OPERATIONAL ACTIVITIES

From an operational point of view, the Cash Restriction Section has set up a specific on-line reporting mechanism for suspected breaches of the cash restriction law. This will allow the public to report cases of known or suspected breaches of the law and to further enable the FIAU to detect and act against potential breaches. This on-line reporting mechanism is available on the FIAU's webpage.

In addition, the FIAU made the necessary updates to its goAML reporting facility to include another type of report. This is specifically dedicated to the reporting of suspected breaches of the cash restriction regulations by subject persons. These reports will be forwarded to the Cash Restriction Section for further examination and will provide another source for the detection of potential cases.

The use of cash detected via incoming STRs and other domestic or foreign incoming intelligence will also be forwarded to the Cash Restriction Section for further examination. Since coming into force, the Cash Restriction Section has received a number of suspicious reports from the Intelligence Analysis Section on potential breaches of the regulations.

The Section is pro-actively performing targeted analysis on data held by other national authorities (such as Transport Malta) to examine further any transactions that present the highest risk of potential breaches.

It is envisaged that the role of the Cash Restriction Section will become more important once restrictions on the use of cash become pan-European as a result of the proposed EU Regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. At present 17 of the 27 EU member states have introduced restrictions on the use of cash. However, they are not harmonised on both limits and scope.

The new regulation is being proposed by the European Commission as part of the action plan for a comprehensive Union policy on preventing ML/FT. The proposed regulation will limit cash payments across Europe to a **maximum of €10,000.**

03

Support Functions

- 3.1 Strategy, Policy &
Quality Assurance

- 3.2 Legal Affairs

- 3.3 Technology &
Information Security

- 3.4 Corporate Services
& PPC

3.1 Strategy, Policy & Quality Assurance

The Strategy, Policy and Quality Assurance (SPQA) Section was set up in the final quarter of 2020.

The Section's objective is two-fold: firstly, it assists the Unit to devise strategies and policies in line with evolving trends and risks; and, secondly, it is responsible for monitoring the operations of the various sections within the Unit to ensure adherence to strategic plans, internal procedures and processes, and to assess the effectiveness and efficiency of operations.



As at the end of 2021, the Section was composed of two officers, with plans to recruit additional staff in 2022 to boost the Quality Assurance Team. Furthermore, in 2021 the FIAU created a new internal role dedicated to Internal Training and Development, which will be part of the SPQA Section structure.

This role consists of identifying training needs across the entire Unit and will be responsible for developing and implementing training initiatives to enhance the expertise and knowledge of FIAU officers, who need to keep up to date with the changing risks and operations of the Unit. An Internal Training & Development Officer was recruited at the end of 2021.

The Section was actively involved in the formulation of the National Strategy and Action Plan to implement the FATF's Action Plan linked to Malta's grey listing. The National Action Plan was coordinated by the National Coordinating Committee (NCC) with the input of the relevant authorities, including the FIAU.

Following the adoption of the National Action Plan, in the second half of 2021, the SPQA Section started monitoring its implementation by the various FIAU sections. For this purpose, an extensive internal plan of action detailing the various tasks to be performed by all FIAU sections was developed and monitored on an ongoing basis.

At the beginning of the year, the Section, in cooperation with the other sections, concluded a project aimed at identifying high impact core areas necessitating enhancements. This project also considered improvements deemed necessary to address the National AML/CFT Strategy 2021-2023 and to incorporate the conclusions of the National Organised Crime Risk Assessment.

On the conclusion of this project, a plan of action was designed, and the initial implementation was being monitored. However, during the second half of 2021 priority had to be given to the swift implementation of the FATF Action Plan, which took precedence from June.

The SPQA Section started to carry out a number of quality assurance reviews in 2021. The first core process to be reviewed was the prioritisation and processing of incoming suspicious reports (STRs) handled by the Intelligence Analysis Section.

Recommendations for improvement to the reports' processing framework were made, including suggestions to provide better context to the manpower requirements, processes and procedures in the face of existing and future pressures in the form of quantities and quality of STRs submitted by subject persons.

A second review, which is ongoing, relates to the supervisory examination process. The objective is to determine areas for improvement in the planning, execution and conclusion of examinations by the FIAU and other competent authorities acting on behalf of the FIAU to conduct AML/CFT Supervision.

Throughout the year, the focus of quality assurance reviews was not only on core processes but also on the supporting functions. To this effect, a preliminary walk-through was carried out on Human Resources operations, as well as on the Technology and Information Security Section, indicating areas where there is room for added value to be provided to the organisation.

3.2

Legal Affairs

The work of the Legal Affairs Section was again heavily influenced by Malta's international commitments, especially the actions being taken on a national level to ensure that Malta is de-listed by the FATF in the shortest time frame possible.

In 2021 several particularly important actions were taken to strengthen the sharing of information between authorities. This was achieved through the signing of new Memoranda of Understanding (MoUs) and collaborations with other relevant entities, both locally and internationally. In addition, further emphasis was placed on different guidance and training initiatives focused on how subject persons are to comply in an effective manner with their AML/CFT obligations. Acting through its two teams, namely the Legal and International Relations Team and the Guidance and Outreach Team, the Legal Affairs Section has once again sought to deliver on its different commitments to a range of different stakeholders.



THE LEGAL AND INTERNATIONAL RELATIONS TEAM

Drafting of Legislation

2021 saw various changes to the Prevention of Money Laundering Act (PMLA) and the subsidiary legislation issued thereunder. These were mostly related to the introduction of the Use of Cash (Restriction) Regulations and to the transposition of Directive (EU) 2019/1153.

In March 2021, the Use of Cash (Restriction) Regulations came into force, limiting the use of cash in transactions related to the acquisition of specific, high value goods, which could easily be used as part of the laundering process. The regulations set a limit of €9,999.99 for the purchase of these goods in cash and any breach of this restriction would constitute a criminal offence. Exceeding this limit will result in the imposition of a fine equal to at least 40% of the sum paid over the threshold indicated above. Provision is made for the possible administrative settlement of any such offence, subject to the case in hand meeting a specified set of conditions.

The regulations provide more substance to the FIAU's supervisory remit with respect to these restrictions as outlined in the PMLA itself. Through these regulations, the FIAU is granted the necessary powers to issue binding procedures on how the obligations arising from them are to be met. They also allow the Unit to ensure that traders and notaries are complying with their obligations at law and provides the FIAU with the power to impose administrative penalties for any contravention of the requirements set out by the regulations.

Amendments to the PMLA were also made necessary to ensure the proper transposition of Directive (EU) 2019/1153. This Directive is intended to allow for better sharing of information between FIUs and the authorities involved in the criminal process. In addition, it provides for Member States to allow these relevant authorities access to the centralised mechanisms in place to collect data on bank and payment accounts, as well as safe custody services. Based on this Directive, information collected by FIUs or data accessible through these centralised mechanisms, can be used more broadly. It can now be used beyond the context of investigating and prosecuting money laundering, its associated predicate offences and the funding of terrorism, but can be utilised in relation to any criminal law proceedings related to other serious criminal offences.

Due to these amendments, when the actions of specific authorities, i.e. the Malta Police Force, the Office of the Attorney General and any magistrate conducting in genere inquiries, are related to 'serious criminal offences', the FIAU can now provide information and/or analysis already carried out and which may support their actions. Any such sharing of information is not intended to be spontaneous but must be justified by a request made by the authorities. The amendments put in place a series of safeguards to protect the intelligence character of any information that may be exchanged in this manner.

In line with the Directive, there is now a clearer basis for cooperation between the FIAU and EUROPOL. It also broadens the scope and increases the possibility of the exchange of information with counterpart FIUs. The information exchange now reaches beyond the funding of terrorism but also to terrorism itself and organised crimes linked to it. In addition, there is a renewed emphasis on the ability of the FIAU to access law enforcement information.

Conclusion of Memoranda of Understanding

Ever conscious of the importance of information sharing, coordination and cooperation, the Legal and International Relations Team has increased its efforts to conclude Memoranda of Understanding with both the FIAU's domestic and international counterparts. In 2021, a Memorandum of Understanding was entered into with the Malta Business Registry. This will ensure better coordination and cooperation between the two agencies on the supervision of beneficial ownership obligations. In addition, the FIAU also signed an MoU with the FIUs of Turkey, Ukraine and the United Arab Emirates.



Participation in European and International Fora

During 2021, officers from the Legal and International Relations Team continued to represent the FIAU at a number of international and European fora. The European Commission's AML Package issued in July 2021 was one of the main items that attracted attention at these meetings. With discussions taking place within the European Council, officers had to regularly attend the Working Parties held, during which different aspects of the package were debated. The package consists of four different legislative proposals which attempt to create an EU-wide AML/CFT authority and further harmonise AML/CFT obligations.

The discussions during the Working Parties were particularly intensive and time consuming, albeit interesting. The AML Package was also an item repeatedly on the agenda of meetings of the Expert Group on Money Laundering and Terrorism Financing (EGMLTF), which were attended by officers from this section. During 2021, between February and October, the European Commission convened the 29th, 30th, 31st, 32nd and 33rd meetings of the EGMLTF, all of which took place via videoconferencing.

In addition to these meetings, the team was also heavily involved with the European Banking Authority, since they continued to participate in various drafting teams, as well as other informal gatherings held between supervisory authorities with its support.

EU-funded Project – PROTAX: New Methods to Prevent, Investigate and Mitigate Corruption and Tax Crimes in the EU

In July, after more than three years from its inception, the PROTAX project in which the FIAU was a partner, came to an end. It concluded with an international conference, held over two days in July. During this conference, various topics on the subject matter were discussed, and the work and deliverables of the project were presented and shared with attendees. This included the presentation of cutting-edge strategies and toolkits to prevent and counter tax crimes in the EU.

Earlier in the year, PROTAX also launched a dedicated web-toolkit consisting of various digital resources for the prevention and prosecution of tax crimes. The PROTAX digital resources developed during the project identify knowledge gaps and offer benchmarks to compare and test methods to counter tax crimes across Europe. These resources include toolkits, policy guidelines, case studies, risk assessment methodology and guidance for practitioners and law enforcement agencies. These are aimed at improving EU-wide action and better cooperation. The tools may be accessed through the following link:

<https://protaxwebtoolkit.eu/>.



GUIDANCE AND OUTREACH TEAM

During 2021, the Guidance and Outreach Team continued to work on strengthening the local AML/CFT framework. The team endeavours to enhance subject persons' understanding of their AML/CFT related obligations and to communicate the FIAU's expectations when it comes to their implementation, in order to improve and encourage a stronger culture of compliance.

PUBLICATIONS

The **Implementing Procedures – Part I** (IPS – PI) were revised to address a variety of issues with respect to how subject persons are expected to apply some of their AML/CFT obligations. In particular, the revised version of the IPs – PI sought to clarify how the principle of proportionality can be reconciled with the avoidance or mitigation of possible conflicts of interest when it comes to the appointment of the Money Laundering Reporting Officer (MLRO). In addition, further guidance was provided in relation to the assessment of adverse media for risk evaluation purposes and on the carrying out of the jurisdictional risk assessment.

An **Interpretative Note** focusing on insurance intermediaries was issued for insurance brokers and tied insurance intermediaries. Its purpose was to clearly indicate under what circumstances they would be considered as carrying out relevant financial business and therefore be subject to the obligations arising from the PMLA and the PMLFTR. This document also provided for the possibility of any insurance broker to notify the FIAU whether it is carrying out long-term insurance business or not, since otherwise it would not be considered as a subject person.

Another **Interpretative Note** sought to provide directions to subject persons on the application of the jurisdictional risk assessment requirement and how this should be applied within the context of Malta's grey listing. This document clarified that there would be no need to apply any additional mitigating measures to domestic customers or beneficial owners solely based on Malta's grey listing.

A **Factsheet** summarising the results of a strategic analysis of cases focusing on money laundering related to tax evasion was also issued. This document provides several red flags and typologies intended to assist subject persons in assessing whether the transactions and business relationships they are entering into may be abused to launder the proceeds of tax evasion or tax-related offences. The main aims of the document are to increase the number of reports on possible instances of tax-related ML and to improve the quality of these reports.

The Guidance and Outreach Team also produced a series of **Frequently Asked Questions** in relation to the application of the Use of Cash (Restriction) Regulations. These FAQs are available on the FIAU's website. Given the importance of this new measure in combatting ML, it was necessary to immediately bridge the gap between the interpretation and application of these regulations. It was also necessary to ensure that those directly impacted by the regulations are aware how the FIAU is going to apply the restrictions and how those impacted need to operate.

The Guidance and Outreach Team supports other sections with their efforts to inform and educate subject persons about matters related to the nature of their work.

TRAINING EVENTS

Communicating the FIAU's expectations to subject persons in relation to the application of their AML/CFT obligations is important to ensure a strong compliance culture. To this end, a series of training events were held throughout 2021. To the extent allowed by the restrictions imposed due to the Covid-19 pandemic, the FIAU not only relied on webinars to deliver training sessions but also organised in-person training events.

The training sessions organised by the FIAU during the year were equally divided between thematic events and those of a more general nature. A CSP-focused event was held early in January to better explain to the sector the Implementing Procedures – Part II applicable to them. Later in the year a hybrid event was held to explain to all subject persons the revisions carried out to the Implementing Procedures – Part I. Two additional seminars were held in 2021 with a live audience: one focused on red flags, trends and typologies for ML related to tax evasion and tax offences, and the other on the possible misuse of legal entities to conceal their beneficial owner.

The Guidance and Outreach Team supports other sections with their efforts to inform and educate subject persons about matters related to the nature of their work. The team assisted the Supervision and Enforcement sections in holding a webinar on the Business Risk Assessment Factsheet and the Enforcement Factsheet, issued by the respective section.

The team also continued to participate in and contribute to a number of seminars and conferences organised by sectoral bodies and focusing on AML/CFT-related topics relevant to its Action Plan. In addition, it also ensured that meetings of the FIAU's Consultants' Forum and of the Joint Committee for the Prevention of Money Laundering and Funding of Terrorism continued to take place. With respect to the latter, a new format was introduced, making use of focused meetings with the different sectoral representative bodies, therefore allowing the FIAU to communicate information in a more targeted manner and discuss issues that are sector specific.

2021 saw also the launch of a new Private Public Partnership in the form of so-called 'AML/CFT Clinics', the intention being to provide more targeted guidance on specific scenarios encountered by key sectors. A first such clinic for credit institutions which target mainly the local market was held in December. Depending on the outcome of these first meetings, the FIAU may eventually widen the scope and organise similar clinics for other sectors.



Other initiatives

The FIAU believes that a culture of compliance requires that anyone involved in the relevant sectors is aware of why it is important to be compliant from the outset. To this end, the FIAU has also been active within the University of Malta to provide dedicated lectures in key courses in relation to key aspects of AML/CFT. A variety of courses have been targeted, including law, accountancy, insurance and criminology. In addition, the Guidance and Outreach Section also produced Training Material Packs for the different DNFBP sectors to help subject persons become familiar with the content and be better equipped to fulfil their AML/CFT obligations.

Internal training

The effective supervision of subject persons requires FIAU officers to be aware of the latest requirements introduced and of the guidance provided by the FIAU. The Guidance and Outreach Team has also been an important asset in this respect, since it held training for both FIAU officers, as well as for officers from the MFSA and the MGA who carry out AML/CFT supervision on the FIAU's behalf.

5 Guidance Documents drafted by the Guidance & Outreach Team

6 Training Events organised by the Guidance & Outreach Team

14 Third-Party Training Events in which the Guidance & Outreach Team participated

2,689 Attendees at Training Events organised by the Guidance & Outreach Team

3,743 Attendees at events organised by third parties

3.3 Technology & Information Security

The Technology and Information Security Section within the FIAU is a critical part of its infrastructure and forms the backbone of the Unit. To perform its functions effectively, the FIAU relies heavily on technology.

Processing and analysis of data, access to databases, use of search engines and exchange of information across secure platforms are examples of daily operations that require technological support. Data and intelligence are of a highly sensitive and confidential nature, and even basic communication needs to be protected. Technology plays an important role in achieving this. The Technology and Information Security Section ensures that all IT needs are covered, critical infrastructure, security measures and all systems are well maintained, updated regularly and all related protocols are in place.



Digital Transformation

During the year under review, the FIAU successfully completed the digital transformation of its core business applications. The process was carefully researched with leading third-party providers in the industry and hand in hand with MITA. All the measures were taken to plan, design, train staff and implement the data transformation in the most secure manner.

This has allowed the Unit to expand its technology and integration capability to encompass the latest industry applications. It has also provided increased flexibility and better solutions to the complex issues that are encountered throughout its operations. The digital transformation implemented by the Technology and Information Security Section has allowed the FIAU to integrate smarter solutions, such as Artificial Intelligence (AI) driven platforms in a secure and integrated manner.

Through the implementation of Enterprise Mobility, the FIAU has been provided with platforms that allow further flexibility within its operations, which in turn have helped to meet tight deadlines.

Information Security

The FIAU collects, analyses and maintains large amounts of data to be able to perform its various functions effectively. Major changes in the management of this data have been implemented to provide real-time information and audit reports on its data access and sharing. In line with its data classification policies, an integrated solution has been implemented to further improve its data security through encryption at rest, while providing its employees with additional flexibility and usability. This has provided ongoing protection to its data and allows the FIAU to control data access beyond its internal infrastructure.

These systems have streamlined and reduced the administrative measures which previously required more effort and time. Since new ways of protecting data have been introduced, emphasis on training has been made to ensure that the new encryption methods are clear to all the internal sections and external key entities that collaborate with the FIAU.

Through the newly revised Data Governance policies, a shift of information security responsibility to the respective sections was made, to ensure that data is handled by all respective members in the correct manner. An assessment of the data

sensitivity based on the negative impact and operational processes is being performed by each section according to the confidentiality policies, which in return ensures the compliance with data privacy and other regulations.

Cyber Security

In conjunction with the digital transformation undertaken, the FIAU has further strengthened its security operations centre by acquiring a new set of security tools to monitor, prevent and deal with any threats and vulnerabilities more effectively. Using a full suite of industry-standard security tools, the FIAU has reduced data breach risks, including cyber security risks while improving its security posture. Furthermore, the FIAU receives threat intelligence from MITA and other trusted sources to ensure that new cyber-attacks are blocked immediately. Ongoing security awareness programmes have been conducted to train staff how to recognise different types of attacks.

All major changes to the FIAU's core systems were tested by an independent security specialist in collaboration with our software and service providers, and any vulnerabilities found were mitigated.

New Premises

A number of positive developments were made at the FIAU's new premises, including the necessary operational services, and building equipment. The Technology and Information Security Section is working hand in hand with the new premises project team to ensure that all technical requirements are identified and delivered. This is one of the major projects allocated to the Technology and Information Security Section, which is responsible to provide the necessary infrastructure for the FIAU's operations within the new premises. Notwithstanding difficulties and shortage of supplies caused by the pandemic; the project is steadily progressing and the new offices are expected to be completed by the first half of 2022.

Business Continuity

2021 saw an increase in computing resources allocated to the FIAU's IT infrastructure to safeguard the FIAU's business continuity. This led to a seamless replication of the FIAU's core



infrastructure at a different disaster recovery site. The project was carried out in collaboration with MITA and the FIAU's service providers, and took a substantial amount of time and effort to plan, design and implement securely. Ultimately, the exercise has reduced both the risk of data loss and the recovery time for the FIAU's core operations, if ever needed.

Data Management and Business Intelligence

In addition to the new systems introduced during 2021 within the Intelligence Analysis, Supervision and Centralised Bank Account Register (CBAR) sections, new Business Intelligence (BI) tools and dashboards have been implemented to consolidate intelligence and facilitate the generation of reports in a timely manner. Staff members were also provided with training on the use of the new tools.

The core systems, CASPAR, goAML and the Centralised Bank Account Registry (CBAR) were and will continue to be upgraded to meet the FIAU's needs and to ensure that the data held can be processed and analysed to enable compliance with the requirements of international assessment bodies and Anti-Money Laundering (AML) Directives. These refinements are also critical to streamline the processes and ensure better efficiency and stability.

The FIAU receives information and data from subject persons. Therefore, the Business Applications team within the Technology and Information Security Section guide subject persons to structure their data reporting. This is done through a standardised XML schema to ensure the quality and consistency of the data submitted. Further data corrections and machine learning tools are being planned to automate this time-intensive exercise, while also planning for the anticipated data growth.

European Collaboration

For the past two years this section has been working with another 10 EU members states to improve one of the common secure information dissemination systems, FIU.net, by participating in meetings to discuss, advise and suggest improvements. The FIAU has extended its participation in this initiative by renewing its voluntary commitment to the FIU.NET advisory group for a further two years. This with an aim to assist European FIUs in the administration of this system, and improve the dissemination of information. Frequent contributions were made to the improvement of the data dissemination system (FIU.NET) used by European FIUs.

A major administrative and infrastructural change for the FIU.NET system was successfully coordinated and completed within the deadline imposed by the European Data Protection Supervisor (EDPS). The FIAU helped in the technical testing, and also in ensuring the improvement of the system's infrastructure and usability.

The FIAU has also extended its technical international collaboration to third parties, mainly the United Nations Office on Drugs and Crime (UNODC) for the core STR reporting system (goAML) and the EGMONT working group, for the dissemination of information to all global FIU counterparts. Such efforts mainly involved providing new suggestions and feedback on how to extend and fine tune collaboration to the common AML/CFT system tools. Further improvements have been agreed and new projects are expected in the coming months.

A major administrative and infrastructural change for the FIU.NET system was successfully coordinated and completed within the deadline imposed by the European Data Protection Supervisor (EDPS).

3.4 Corporate Services & PPC

The main aims of the Corporate Services and People, Performance and Culture (PPC) Section are to provide support services for the FIAU's financial planning and management, human resources management, procurement and office management.



There are three main sub-sections within Corporate Services and PPC, as outlined below.

1 Finance and Administration

The Finance team is responsible for the FIAU's administrative and financial requirements, including the preparation and management of accounting records, budgets and forecasts, preparation of reports as required by the Ministry for Finance and other government departments, and coordination of responses to parliamentary questions.

This team is also in charge of the day-to-day administrative duties. These include: the administration of correspondence, payment of invoices, management of supplies, supervision of contractual obligations with suppliers, making travel arrangements, and other administrative tasks, including liaison with external auditors.

2 Procurement

The Procurement team is responsible for purchasing supplies, works and services for the FIAU, overseeing the entire procurement cycle, and ensuring that Public Procurement Regulations are adhered to. The main tasks include issuing calls for quotations and tenders, evaluating bids, preparing the supporting documentation, obtaining the necessary approvals and concluding contracts with the successful bidders.

The Corporate Services team manages the day-to-day operations of the FIAU, including the upkeep and maintenance of the offices, as well as the acquisition of services and goods.

The FIAU is in the process of moving to new premises and all the necessary requirements to finish and furnish the offices have been identified. In this regard, the FIAU started by contracting a designer to offer specialized solutions, design the offices and create an aesthetically pleasing environment.

During 2021 the major project within this team was the procurement of security systems, IT equipment and furniture for the new FIAU premises.

Different procurement methods are being used to ensure that the premises are well equipped whilst safeguard business continuity. Various quotations and tenders were drafted, issued, and published with more in progress for 2022.

3 People, Performance and Culture

The People, Performance and Culture team oversees human resources and payroll. The main responsibilities of this section are to administer the recruitment process and issue employment contracts, payroll, employee management, induction training for new employees, and the formulation of new policies and updates as necessary. This Section also takes care of the health and safety administration and training of staff on health and safety matters and manages the staff's life and health insurance policies. In addition, the PPC also coordinates internal events, such as the quarterly reviews and team building events.

The FIAU has experienced a significant growth in human resources, reaching a total of 115 employees by the end of the year, continuing the trend of 2020. The FIAU is forecast to continue recruiting until the staff compliment reaches 161 employees. This process of expansion is in response to the ever-increasing demands placed on the FIAU, due to added functions and responsibilities. It is also in line with recommendations from international authorities such as MONEYVAL, the International Monetary Fund (IMF) and the European Banking Authority. As the FIAU continues to expand due to the increase in workload and responsibilities, having an HR strategy is key to having a thriving Unit.

What does the FIAU Offer?

TRAINING

The FIAU believes in the value of training. Therefore, the role of the PPC is to ensure that the appropriate training opportunities are found and offered to the staff.

Training is critical since it provides the correct alignment of skills and people with their roles, not only as structural changes take place but also to ensure that new employees can integrate faster and garner knowledge quicker. Established employees are also given training opportunities and are encouraged to follow appropriate training. This not only supports career development through improving existing skills, but acquiring new skills may also help bridge any gaps present. Training opportunities are a motivating factor for employees since it reflects their employer’s willingness to invest in them and therefore encourages staff retention. As in previous years, during 2021, the FIAU sponsored the CAMS certification and three staff members benefited from this opportunity. This year the FIAU decided to go a step further and revised the initiative by broadening the existing sponsorship to other well-known courses, such as the ICA and any other qualifications that the employee may wish to take concerning their work to further their studies.

The below statistics give a breakdown of the number of employees who benefited from the initiative mentioned above.

Sponsorships data

This scheme was launched in August 2020

Table 13

ACAMS	3	ICA	7
Award in Advanced AML/CFT Compliance	1	Managing Operational Risk & Governance	1
Award in Anti-Financial Crime	7	Master of Arts in Criminology	1
Award in HR, Employment Law and New Technologies	1	MSc Finance and Financial Law	2
Bachelor of Arts (Honours) in Criminology	1	Postgraduate Laws LLM	1
BSc (Hons) Cybersecurity	1	Professional Certificate in Anti-Corruption	1
		Total	27



SAFETY AND WELL-BEING

During 2021 Covid-19 continued to affect the world, having an impact on people's lives. Due to this, in line with the health authorities' advice, the FIAU regularly updated the guidelines to be followed by the employees to ensure a safe working environment. The impact on mental health and overall well-being were borne in mind by the management and HR team, who continued to offer professional help through a psychologist, offering one-on-one sessions to staff who felt the need.

WORK PLACEMENT

The FIAU introduced the concept of having work placements, whereby staff members from different sections were allowed to work in another section of their choice. Adopting such a concept aims to understand other peoples' work better, share knowledge and skills, and bring new ideas and working methods. This initiative took place for the first time during the summer period. The intention is to repeat it in 2022, following the enthusiasm the employees showed through participation.

SOCIAL COMMITTEE

The FIAU's social committee organises several events spread throughout the year. These vary from informative sessions to keep employees engaged by providing updates about the Unit's work, to team building and general awareness events. These occasions aim to maintain healthy relationships between staff members, creating a sense of trust and unity among employees. Furthermore, this leads to having a motivated workforce that is committed to striving towards the FIAU's common goal.



STATISTICS

Ongoing recruitment — Increases by Section

Table 14

Supervision	+7
Intelligence Analysis	+5
Enforcement	+3
Cash Restriction	+1
Technology and Information Security	+1



Fields in which training was provided.

Table 15

Agility in HR

AML/CFT

Basic First Aid

Blockchain for Accounting

Combating Financial Crime

Cryptocurrencies & Anti-Money Laundering

Leadership & Team Management

Microsoft 365

Procurement

Taxation

"The Capacity to learn is a gift; the ability to learn is a skill; the willingness to learn is a choice".

BRIAN HERBERT
AMERICAN AUTHOR

CHAPTER

04

Special Focus

4.1 Malta's FATF
Grey Listing

4.2 New Premises

4.1

Malta's FATF Grey Listing



A The Process leading to Malta's Grey Listing

THE MONEYVAL EVALUATION REPORT OF MALTA

In September 2019 the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) published the Mutual Evaluation Report (MER) of Malta following the conclusion of an evaluation process. Jurisdictions around the world undergo such evaluation processes on a regular basis. In fact, Malta has been evaluated five times since 1998. These evaluations are carried out either by the Financial Action Task Force (FATF) itself, being the Anti-Money Laundering/Counter Funding of Terrorism (AML/CFT) international standard setter, or by so called FATF-Style Regional Bodies such as MONEYVAL, which covers much of the European Region. Irrespective which evaluating body carries out such evaluations, these are always carried out against the same international standards and according to a common methodology that is adopted by the FATF.

In 2018/2019 and under the fifth cycle of evaluations, Malta (as well as other jurisdictions) were evaluated against a new methodology that was published by the FATF in 2013. Under this new methodology, it is not only the AML/CFT laws, written policies and procedures (i.e., the technical component) that are scrutinised, but more importantly the competent authorities' and private sector's ability to effectively (in practice) implement such AML/CFT laws. Prior to 2013, evaluations were mainly focused on the technical element, with a very limited focus on effectiveness.

The technical component assessment, which is carried out based on 40 Technical Recommendations, was a positive one. In 2019 Malta obtained a positive rating for 31 out of the 40 FATF Technical Recommendations.

Technical compliance ratings range from compliant and largely compliant (which are the highest and considered to be positive ratings) to partially compliant or non-compliant (being the lowest and negative ratings).

Distribution of Assessment Ratings for the 40 FATF Technical Recommendations – 2019 MER

Table 16

Fully Compliant	Largely Compliant	Partially Compliant	Non-Compliant
10	21	9	0



The Effectiveness Component is on the other hand evaluated against 11 Immediate Outcomes (IOs). Malta obtained two Substantial Effectiveness ratings, six Moderate Effectiveness ratings and three Low Effectiveness Ratings. Effectiveness ratings range from High and Substantial (which are the highest and positive type of ratings) to Moderate and Low (considered to be the lowest and negative ratings). Malta's MER also listed **58 Recommended Actions** to address the shortcomings linked to these 11 IOs.

Distribution of Assessment Ratings for the 11 Immediate Effectiveness Outcomes

Table 17

Immediate Outcome	Area Covered	Rating
Immediate Outcome 1	Understanding of ML/FT Risks and domestic coordination of actions to combat ML/FT and the financing of proliferation.	Moderate
Immediate Outcome 2	International Cooperation	Substantial
Immediate Outcome 3	Licensing and AML/CFT Supervision of Financial Institutions and Designated Non-Financial Businesses and Professions (DNFBPs)	Low
Immediate Outcome 4	Application of AML/CFT preventative measures by Financial Institutions and DNFBPs	Moderate
Immediate Outcome 5	Transparency of Legal persons and arrangements	Moderate
Immediate Outcome 6	Use of financial intelligence for ML/FT investigations	Moderate
Immediate Outcome 7	Investigation, Prosecution and Conviction of ML offences	Low
Immediate Outcome 8	Confiscation of proceeds of crime	Low
Immediate Outcome 9	Investigation, Prosecution and Conviction of FT offences	Moderate
Immediate Outcome 10	Preventing terrorists from raising, moving and using funds, and from misusing the Voluntary Organisations sector	Moderate
Immediate Outcome 11	Preventing persons involved in the proliferation of weapons of mass destruction from raising, moving and using funds	Substantial

THE FOLLOW-UP PROCESS

On the conclusion of the evaluation process by MONEYVAL in July 2019, and in view of the ratings obtained for the effectiveness assessment, Malta was placed under the scrutiny of the FATF's International Compliance Review Group (ICRG). The ICRG is a technical working group, composed of FATF members, that assesses the status of implementation of the Malta's FATF action plan. This meant that Malta would not continue to be followed up exclusively by MONEYVAL but would also be followed up by the FATF.

MONEYVAL and FATF however had distinct follow-up purposes.

MONEYVAL's Follow-Up Decision

MONEYVAL focused on assessing the extent to which Malta remedied the shortcomings within its technical framework (i.e., laws, processes and procedures). MONEYVAL requested Malta to report on its technical improvements at the MONEYVAL Plenary in April 2021.

In April 2021 the MONEYVAL Plenary resolved that Malta had carried out all the necessary reforms to improve its legal framework and processes to the extent that all the nine Technical Recommendations that were initially (under the 2019 MER) rated as Partially Compliant got re-rated as either Largely Compliant or Compliant. Thus, following the April 2021 MONEYVAL Plenary and the publication of the MONEYVAL Follow-Up Report¹, Malta is at the time of writing one of five jurisdictions (from 124 countries evaluated so far under the revised 2013 FATF methodology) that have a positive rating for all the 40 Technical Recommendations, with none being categorised as either Partially or Non-Compliant (i.e., negative ratings).

Distribution of Assessment Ratings for the 40 FATF Technical Recommendations – 2019 MER/2021 Follow-Up Report

Table 18

	Fully Compliant	Largely Compliant	Partially Compliant	Non-Compliant
2019 MER	10	21	9	0
2021 Follow-up Report Re-Rating	12	28	0	0

¹ <https://rm.coe.int/moneyval-2021-7-fur-malta/1680a29c70>



FATF’s Follow-Up Decision and Malta’s Grey Listing

The FATF’s attention, on the other hand, was on Malta’s ability to improve the levels of effectiveness of its AML/CFT framework. In the year following the publication of Malta’s MER in July 2019, Malta went into what is referred to as an observation period, during which time Malta was expected to carry out the necessary reforms to address the 58 Recommended Actions tied to effectiveness. The FATF Plenary in June 2021 then decided whether Malta had made satisfactory progress to address this action plan, or whether Malta would be grey listed to implement any pending actions.

In the June 2021 FATF Plenary, the FATF deliberated on whether Malta had made sufficient progress to address all effectiveness shortcomings that were identified in relation to the nine IOs that were initially (under the 2019 MER) rated as Low or Moderate level of effectiveness. As per procedure, Immediate Outcomes 2 and 11 (which were originally rated as having a substantial level of effectiveness) were not re-evaluated.

The FATF evaluators concluded that Malta had made satisfactory progress across seven out of the said nine IOs, including on Immediate Outcomes 3, 7 and 8, which were, in the 2019 MER, rated as “Low”, denoting structural deficiencies.

Malta, however, fell short of convincing the FATF that it had addressed all recommended actions linked to IO 5 and IO 6, since two Recommended Actions under IO 5 and one Recommended Action under IO 6 were deemed not to have been satisfactorily addressed.

Distribution of Assessment Ratings for the 11 Immediate Outcomes – 2019 MER/2021 Follow-Up Report

Table 19

IO	Area	Rating 2019 (MER)	2021 FATF POPR
1	Risk, policy and coordination	Moderate	Achieved
2	International cooperation	Substantial	n.a.
3	Supervision	Low	Achieved
4	Preventative measures	Moderate	Achieved
5	Legal persons and arrangements	Moderate	Partly achieved
6	Financial intelligence	Moderate	Partly achieved
7	ML investigation & prosecution	Low	Achieved
8	Confiscation	Low	Achieved
9	TF investigation & prosecution	Moderate	Achieved
10	TF preventative measures financial sanctions	Moderate	Achieved
11	PF Financial sanctions	Substantial	n.a.

These three Recommended Actions (out of the initial 58 Recommended Actions) related to the sanctioning of companies and company gatekeepers, such as CSPs, for failures of beneficial ownership (BO) obligations, and to the generation and use of financial intelligence to investigate and prosecute money laundering emanating from tax evasion. This led the FATF to require Malta to continue improving its effectiveness in these areas and provided Malta with an action plan based on these three Recommended Actions.

The allocation of this action plan meant that Malta was placed under the list of jurisdictions under increased monitoring (colloquially known as the grey list) and would remain to be monitored by FATF for the implementation of this action plan.

Malta’s FATF Action Plan – What is Malta expected to improve?

Malta’s action plan is linked to three Recommended Actions under the 2019 MER, which remained unsatisfactorily addressed, out of the initial 58 Recommended Actions. The FATF’s action plan, which is publicly available, includes three action points that need to be addressed². Malta is thus expected and has made a strong political commitment to:

Continue demonstrating that BO information is accurate and that, where appropriate, effective, proportionate and dissuasive sanctions are applied on legal persons providing inaccurate ownership information and on gatekeepers when they do not obtain accurate and up-to-date BO information.

Ensure that authorities pursuing criminal tax and related money laundering cases make better use of FIU Financial Intelligence and clarifying the roles and responsibilities of the Commissioner for Revenue and the FIU.

Increase the focus of the FIU’s analysis on ML derived from tax evasion to produce intelligence that helps Maltese law enforcement detect and investigate these cases.

² <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2021.html#malta>



Malta's Plan and Actions to get off the grey list – What is Malta doing?

Following the FATF's decision to grey list Malta in June 2021, the relevant Maltese competent authorities (i.e., FIAU, Office of the Commissioner for Revenue (OCfR), Malta Police Force (MPF), Office of the Attorney General (AG), and the Malta Business Registry (MBR)) under the oversight of the National Co-ordinating Committee on Combating Money Laundering and Funding of Terrorism) devised and started implementing a detailed action plan to address the FATF Action Plan.

Immediate Outcome 5 – Beneficial Ownership

In relation to Immediate Outcome 5 and where the transparency of Maltese legal entities is concerned, Malta's plan mainly seeks to enhance the capability of detecting Maltese Companies reporting incorrect BO information to the MBR. Similarly, it also seeks to ensure that gatekeepers are effectively identifying the BOs of their corporate customers, and take action where failures are identified. This in a bid to ensure that accurate BO information of Maltese companies is available to authorities in a timely manner, and to reduce the risk that Maltese companies are used for illicit purposes.



The authorities have been actively working to achieve this by:

Updating the country's understanding of ML risks associated with Legal Entities and the methods and typologies of how Maltese companies may be misused to launder proceeds of crimes and disseminating relevant information to other public and private stakeholders.

Conducting tactical types of analysis to identify companies presenting a higher risk of concealment of beneficial ownership information to better inform the MBR's and FIAU's supervisory processes.

Making proactive use of various sources and databases of BO information and improving the exchange of information between authorities to detect discrepancies in BO data reported to the FIAU and the MBR.

Increasing the number of supervisory inspections carried out by the MBR on Maltese companies to ensure compliance with BO obligations, focusing on higher-risk type of companies, and taking appropriate enforcement actions.

Intensifying supervision and enforcement action on subject persons (SPs) to ensure adherence with BO obligations. This by carrying out thematic and targeted reviews on Company Service Providers (CSPs) and other types of SPs, especially on those servicing higher-risk companies, such as foreign owned companies, companies with complex structures and companies with links to higher risk jurisdictions.

Building further the capacity and expertise of human resources at the MBR and the FIAU to supervise adherence to BO obligations more effectively.

Intensifying training and outreach to relevant SPs to improve adherence to BO obligations and to better equip SPs to detect cases of concealment of company ownership.

Immediate Outcome 6 – Tax Crimes and Use of Intelligence to fight related Money Laundering

With regard to Immediate Outcome 6 and the generation and use of financial intelligence in pursuance of tax-related money laundering investigations and prosecutions, Malta's plan is mainly aimed at increasing the detection (through STR submission and tactical type of analysis) of more serious cases of tax-related ML. This would lead to increased dissemination of financial intelligence to the Malta Police Force and enhancements to better equip the Office of the Attorney General, MPF, FIAU and the OCfR to detect and pursue criminal investigations and to prosecute serious cases of tax evasion and related ML. The Maltese authorities intend to action tax evasion cases in a more effective, yet proportionate manner, focusing their resources and actions on dealing with more serious cases of tax evasion. In more detail, the relevant authorities have been enhancing their actions in dealing with tax evasion and related ML (and hence addressing the FATF's concerns) by:

Developing a clear national policy shared between the relevant authorities (i.e., MPF, FIAU and OCfR) on how to prioritise and tackle tax evasion and associated ML in an effective and proportionate manner.

Carrying out a nationwide risk assessment to update the understanding of ML risk arising from tax crimes in Malta.

Increasing the private sector's capability to detect and report more serious types of tax-related ML cases (as opposed to more simple tax evasion cases).

Carrying out tactical types of analysis to proactively identify cases of potential misuse of Maltese companies for tax crime purposes, especially in relation to foreign tax crimes.

Enhancing the FIAU's prioritisation and analytical process to focus more on serious tax-related cases and handle them in a more efficient manner, including through the creation of a team dedicated to the analysis of serious tax-related ML suspicions.

Setting up a dedicated task force to jointly investigate serious and complex tax-related ML cases.

Enhancing the authorities' (FIAU and MPF) expertise and resources to improve the handling of cases of tax evasion and associated ML.



B Exiting the Grey List

The Process to Exit the Grey List

A jurisdiction placed on the grey list is required to demonstrate that it has satisfactorily implemented the action plan allocated to it by the FATF. Progress is monitored by the FATF evaluators based on written information and statistics provided by the country and subsequent face-to-face meetings between the evaluators, and country representatives. This monitoring process takes place in the run-up to every FATF Plenary (that takes place three times a year – i.e., in February/March, June and October).

Malta underwent a first monitoring process by the FATF in the run-up to the October 2021 Plenary, ahead of which the Maltese authorities submitted a detailed report to the FATF evaluators, which included a status update covering until August 2021. This report, although submitted a short while after Malta's grey listing, included information not only about Malta's detailed plans to address, in a sustainable manner, the FATF Action Plan, but also included tangible results emanating from the implementation of a number of measures outlined in Malta's plan. At the conclusion of the FATF Plenary in October 2021, the FATF highlighted that, since being grey listed in June 2021, Malta had made good progress in addressing the FATF Action Plan to see it removed from the grey list and urged the Maltese authorities to continue building on the work achieved up to that point.

In December 2021, ahead of the February FATF Plenary, the Maltese authorities provided a further comprehensive follow-up report to the FATF evaluators highlighting the latest results achieved. This report and subsequent face-to-face meetings with the FATF evaluators informed the FATF Plenary on its deliberation of Malta's progress.

On being convinced that the action plan has been satisfactorily implemented, the FATF Plenary agrees to carry out an on-site mission to the country under review, which would take place between one FATF Plenary and another. This indeed took place in March 2022, when the FATF made the initial determination that Malta has substantially completed its action plan and agreed to conduct an on-site visit at the earliest possible date. This takes place to verify that the implementation of Malta's AML/CFT reforms has begun, is being sustained, and that the necessary political commitment remains in place to sustain implementation and improvement in the future.

A positive outcome from the on-site mission would be required for the FATF to remove a country from the grey list. Such a decision would be taken at the first FATF Plenary that is held after the conclusion of the on-site mission.

4.2

New Premises



In the 2020 annual report, it was reported that, in view of the increase in staff numbers necessary for the FIAU to perform its functions effectively, and as had been recommended by various international assessing bodies, a decision was taken to move to larger offices.

2020 saw the beginning of this process through the selection of the new premises at Trident Park within the Central Business District, following a call for expression of interest. Works on the premises, to the specifications of the FIAU, continued throughout throughout 2021 amid a number of challenges, not least the pandemic, as a result of which the FIAU had to reschedule moving into the new offices to 2022.

At the time of writing, works on the new office premises are moving at a fast pace, with completion earmarked for the third quarter of 2022. Completion of the new office premises is considered a top priority since the FIAU has outgrown its current premises, due to the ongoing recruitment of staff, in line with the FIAU's development plan. The project is being managed by a dedicated Project Team led by the FIAU's Programme Manager, together with the Corporate Services, and Technology and Information Security sections as active members.

The team meets on a weekly basis and together with other professional advisors is tasked with ensuring that the new offices will not only provide an appropriate and comfortable work environment, but also state-of-the-art safety, security and technological systems to meet the FIAU's long-term operational requirements. The state-of-the-art building is designed with environmental sustainability in mind and projected to achieve BREEAM Excellent certification. The building designs aim to optimise natural lighting and will use an innovative climate control system, coupled with an effective building insulation system, to reduce both operational costs and the carbon footprint of the building and therefore even that of the FIAU.

CHAPTER

05

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& Tables



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CHAPTER

06

Glossary



AML	Anti-Money Laundering
BO	Beneficial Owner
BRA	Business Risk Assessment
CASPAR	Compliance and Supervision Platform for Assessing Risk
CBAR	Centralised Bank Account Register
OCfR	Office of the Commissioner for Revenue
CFT	Counter Funding of Terrorism
CMC	Compliance Monitoring Committee
CRA	Customer Risk Assessment
CSP	Company Service Provider
DNFBP	Designated Non-Financial Businesses and Professionals
EDD	Enhanced Due Diligence
EDPS	European Data Protection Supervisor
EGMLTF	Expert Group on Money Laundering and Terrorism Financing
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FT	Funding of Terrorism
IO	Immediate Outcome
IPs	Implementing Procedures
ICRG	International Cooperation Review Group

MBR	Malta Business Registry
MER	Mutual Evaluation Report
MFSA	Malta Financial Services Authority
MGA	Malta Gaming Authority
ML	Money Laundering
MLRO	Money Laundering Reporting Officer
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MoU	Memorandum of Understanding
MPF	Malta Police Force
NCC	National Co-ordinating Committee
NRA	National Risk Assessment
PEP	Politically Exposed Person
PMLA	Prevention of Money Laundering Act
PMLFTR	Prevention of Money Laundering and Funding of Terrorism Regulations
PPC	People Performance and Culture
SP	Subject Person
STR	Suspicious Transaction Report
TCSP	Trust or Company Service Provider
VFA	Virtual Financial Assets

CHAPTER

07

Annex

ANNEX 1

Top 10 Reporting sectors in 2021			
Type of reporting entity	2019	2020	2021
Remote Gaming Company	1,445	2,485	4,822
Credit Institutions	962	1,975	873
VFA Framework	8	61	411
Financial Institutions – Payment Services Providers	35	95	244
Financial Institutions – Electronic Money	22	115	191
Casino Licensees	34	56	138
Company Service Providers	49	65	79
Investment Services Licensees	24	28	47
Financial Institutions – Money Remitters	14	19	41
Accounting Professionals	8	20	38
Rest of subject persons	94	171	184
Auditor	16	21	36
Independent Legal Professionals - Notaries	15	21	26
Trustees & Fiduciaries	7	16	25
Real Estate Agents	7	15	20
Other	8	20	18
Independent Legal Professionals - Advocates	10	25	15
Financial Institutions – Others	17	22	12
Insurance Licensees	2	5	10
Land-Based Operators (other than Casinos)	-	11	6
Recognised Fund Administrators	-	3	5
Retirement Scheme Administrators	-	1	3
Administrators of Private Foundations	1	-	2
Collective Investment Schemes	6	7	2
Tax advisors	2	1	2
Dealers in High Value Goods	-	2	1
Regulated Market Activities / Central Securities Depositories	1	-	1
Fund Administrators (of Collective Investment Schemes)	2	1	-
Supervisory Authorities	83	77	142
Competent Authorities		8	8
Financial Intelligence Analysis Unit (FIAU)	35	32	105
Total reports for the year	2,813	5,207	7,323





ANNEX 2

Requests for cooperation: received and sent by the FIAU

Country	Requests for assistance received	Requests for assistance sent
Albania	1	1
Algeria	-	1
Andorra	-	1
Anguilla	-	2
Antigua & Barbuda	-	1
Armenia	-	2
Australia	-	5
Austria	3	14
Bahamas	-	4
Bahrain	-	1
Bangladesh	2	2
Belarus	2	3
Belgium	-	16
Belize	-	8
Benin	-	1
Bosnia and Herzegovina	1	-
Brazil	2	6
British Virgin Islands	-	8
Bulgaria	3	20
Cameroon	-	1
Canada	1	9
Cayman Islands	1	4
Chile	-	1
Colombia	-	1
Congo Brazzaville	-	1
Costa Rica	1	-

Country	Requests for assistance received	Requests for assistance sent
Croatia	2	4
Curacao	-	6
Cyprus	1	24
Czech Republic	1	16
Denmark	1	6
Dominican Republic	1	-
Ecuador	1	-
Egypt	-	8
Estonia	3	16
Finland	12	10
France	20	27
Georgia	1	3
Germany	31	44
Ghana	-	3
Gibraltar	-	9
Greece	1	8
Guernsey	-	3
Hong Kong	-	12
Hungary	4	10
Iceland	1	-
India	9	8
Indonesia	-	4
Ireland	1	14
Isle of Man	2	2
Israel	1	1
Italy	33	75
Japan	-	1
Jersey	3	7
Jordan	-	3
Kazakhstan	1	3

Country	Requests for assistance received	Requests for assistance sent
Kuwait	-	1
Kyrgyzstan	1	1
Latvia	5	9
Lebanon	-	5
Liechtenstein	2	2
Lithuania	16	42
Luxembourg	12	16
Macedonia	-	1
Malaysia	1	3
Mali	-	1
Marshall Islands	-	4
Mauritius	1	3
Mexico	1	3
Moldova	3	2
Monaco	1	7
Montenegro	8	4
Morocco	-	4
Nepal	-	1
Netherlands	6	26
New Zealand	9	-
Nigeria	-	4
North Macedonia	1	-
Norway	4	3
Panama	-	4
Peru	2	-
Poland	2	18
Portugal	-	6
Qatar	-	4
Romania	3	9
Russia	3	15



Country	Requests for assistance received	Requests for assistance sent
Saint Kitts & Nevis	-	4
Saint Vincent and the Grenadines	-	3
San Marino	3	1
Saudi Arabia	1	5
Serbia	2	8
Seychelles	-	4
Singapore	-	6
Slovakia	2	10
Slovenia	5	3
South Africa	-	3
Spain	8	22
Sweden	1	11
Switzerland	4	34
Syria	3	3
Taiwan	-	1
Tunisia	6	13
Turkey	1	30
Turks & Caicos Islands	-	1
Ukraine	4	6
United Arab Emirates	4	28
United Kingdom	10	65
United States of America	8	28
Venezuela	-	1



ANNEX 3

Spontaneous intelligence reports: received and sent by the FIAU

Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Afghanistan	-	1
Albania	-	10
Algeria	-	6
Andorra	-	5
Angola	-	7
Anguilla	-	2
Antigua & Barbuda	-	1
Argentina	-	26
Armenia	-	3
Australia	-	30
Austria	4	301
Azerbaijan	-	2
Bahamas	-	9
Bahrain	-	2
Bangladesh	-	10
Belarus	-	48
Belgium	17	57
Belize	-	10
Benin	-	4
Bermuda	-	2
Bolivia	-	2
Bosnia and Herzegovina	-	12
Brazil	-	317
British Virgin Islands	-	26
Bulgaria	-	61

Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Burkina Faso	-	7
Cambodia	-	3
Cameroon	-	4
Canada	-	313
Cayman Islands	-	6
Chile	-	15
Colombia	-	13
Cook Islands	-	1
Costa Rica	-	9
Croatia	-	61
Cuba	-	1
Curacao	-	17
Cyprus	2	76
Czech Republic	3	37
Denmark	1	15
Dominica	-	1
Dominican Republic	-	3
Ecuador	-	8
Egypt	-	7
Estonia	-	50
Finland	1	216
France	2	128
Georgia	-	18
Germany	44	644
Ghana	-	6
Gibraltar	1	20
Greece	1	97
Guatemala	-	1
Guernsey	8	3
Honduras	-	3



Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Hong Kong	-	49
Hungary	2	141
Iceland	-	21
India	-	101
Indonesia	-	3
Ireland	2	278
Isle of Man	-	14
Israel	-	20
Italy	1	223
Ivory Coast	-	24
Jamaica	-	2
Japan	1	37
Jersey	9	4
Jordan	-	22
Kazakhstan	-	19
Kosovo	-	2
Kuwait	-	2
Kyrgyzstan	-	3
Latvia	5	75
Lebanon	-	14
Liechtenstein	2	12
Lithuania	21	80
Luxembourg	10	93
Macedonia	-	6
Malawi	-	1
Malaysia	-	4
Mali	-	2
Marshall Islands	-	7
Mauritius	-	13
Mexico	1	46

Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Moldova	1	31
Monaco	-	13
Mongolia	-	18
Montenegro	-	13
Morocco	-	10
Nepal	-	1
Netherlands	-	364
New Zealand	-	82
Nigeria	-	15
North Macedonia	-	1
Norway	-	82
Palestine	-	2
Panama	-	8
Paraguay	-	1
Peru	-	13
Philippines	-	18
Poland	1	127
Portugal	-	54
Qatar	-	2
Romania	-	93
Russia	-	198
Saint Kitts & Nevis	-	6
Saint Lucia	-	1
Saint Vincent and the Grenadines	-	3
Samoa	-	1
San Marino	-	1
Saudi Arabia	-	4
Senegal	-	6
Serbia	-	17
Seychelles	-	15



Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Singapore	-	19
Slovakia	1	62
Slovenia	2	45
South Africa	-	24
South Korea	-	4
Spain	-	113
Sri Lanka	-	6
Sweden	-	57
Switzerland	1	131
Syria	3	1
Taiwan	-	1
Tajikistan	-	1
Thailand	-	21
Togo	-	4
Trinidad & Tobago	-	2
Tunisia	-	19
Turkey	-	69
Turkmenistan	-	1
Turks & Caicos Islands	-	3
Ukraine	1	142
United Arab Emirates	-	55
United Kingdom	4	460
United States of America	-	785
Uruguay	-	4
Uzbekistan	-	3
Vanuatu	-	1
Venezuela	-	7

ANNEX 4

Case Study – Bank

The case concerns several shortcomings noted during the compliance review conducted on a bank. When considering and deciding on the case, the CMC established several shortcomings, including:

Failure to obtain the necessary information and documentation to understand the purpose and intended nature of the business relationship

The bank did not have adequate measures in place to obtain information about its customers’ activities, their source of wealth, expected source of funds and estimated account activity. The information held by the bank was not substantiated by more detailed information and documentary evidence, notwithstanding that it was dealing with customers posing higher levels of risks, including PEPs and high net worth individuals.

Failure to have robust measures in place to ensure that customer information and documentation is kept updated

The bank did not have adequate measures in place to ensure customer records were updated. It was noted that, in cases when a review was performed, it seemed that this was intended simply to reflect account activity in the bank’s records, rather than ensuring that there was no divergence in activity from the information initially declared. In certain instances, the bank did not ensure that it held up-to-date information on the customer.

Failure to apply the proper level of scrutiny for transactions

The bank repeatedly and systematically failed to scrutinise transactions that were either not in line with the information available about the customer or that were large, anomalous, dubious or suspicious. Certain transfers occurring internally were accepted by the bank without further queries made. These transactions were allowed even though the customers effecting and/or receiving the transactions posed

higher risks, such as through their political connections or links to high-risk jurisdictions. In several cases, the bank’s customers made transactions of very high values without the bank gathering sufficient and adequate detail on the rationale behind these transactions. In other cases, the bank did not obtain any information or documentation on the transactions passing through its accounts.

Failure to consider red flags, which should have led to internal reviews and STRs sent to the FIAU

The compliance examination revealed several red flags that should have raised the bank’s suspicion on the customers’ activities and transactions passing through the bank’s accounts. There were numerous reasons why the CMC came to this conclusion, including:

Inter-customer generic loans, with no interest requested or, when requested, this was not paid. In certain cases, the loans were repaid in a short period of time, thus raising doubts on whether these were fictitious loans;

Loans offered by the bank without a clear rationale; and

Conflicting information provided on the movement and channelling of funds.

In reaching its conclusions, the CMC noted that the breaches identified were extremely serious and systematic. The Committee commented on the bank’s lax approach towards its due diligence obligations, including the performance of EDD in high-risk scenarios. Consequently, the bank had exposed itself, as well as the Maltese jurisdiction, to extremely large ML risks.



ANNEX 5

Case Study — Land-Based Casino

The case was presented to the CMC in 2021 following an onsite compliance review performed in 2020. The Committee concluded that there were various breaches that necessitated the imposition of an administrative penalty and a Follow-up Directive. The shortcomings included:

Failure to conduct an adequate Business Risk Assessment (BRA)

The company failed to consider all four pillars of risk when carrying out its BRA. Moreover, instead of determining the exposure and impact of ML/FT risks, it simply listed an inventory of risks. It also failed to identify the controls it implemented to mitigate these risks. The BRA also failed to consider the extent of untraced cash placements and the repercussions of being unable to trace cash activity to a particular player.

Failure to carry out an adequate Customer Risk Assessment (CRA)

Various shortcomings were observed in relation to the CRA, which could be attributed to the way the CRA was being performed and recorded in the Company's systems. These issues were exacerbated through the Company's dependence on its Money Laundering Reporting Officer (MLRO) – only the MLRO could explain the rationale behind each risk rating. The Committee also noted that, in certain instances, the Company had failed to perform a CRA altogether, while in other cases it was only through the MLRO's clarifications that the final risk rating and risk considerations were obtained and confirmed.

Failure to perform appropriate EDD measures

The EDD procedures implemented by the Company were generic and not comprehensive, in that they focused on obtaining verification documents or validating the customer's

residential address. This led to a failure to identify and address the risks arising from each set of circumstances. It was also noted that the form used by the Company was too vague and not an adequate measure to mitigate high risks of ML/FT. The procedural shortcomings were reflected in the high-risk player profiles. In one instance, although the customer was linked to adverse media and had deposited and placed substantial amounts on live tables, the Company failed to carry out adequate EDD.

Insufficient information and documentation collected to establish the purpose and intended nature of the business relationship

The shortcomings included unfounded information on the anticipated level of activity; a generic understanding of the income earning activity; and no information on the players' income range. The lack of information jeopardised the Company's ability to establish the purpose and intended nature of the business relationship as well as the respective risk profile.

Failure to perform effective transaction scrutiny

In view of the Company's failure to establish an adequate business and risk profile, the Company could not perform effective transaction monitoring. Nonetheless, the CMC concluded that, even from the limited information collected, the Company should still have been able to identify the transactions that were inconsistent with the customer's business and risk profile.

In view of the above, as well as other shortcomings identified during the compliance examination, the Committee concluded that an administrative penalty was to be imposed on the Company. Moreover, the Company was served with a Follow-up Directive, which obliged the Company to draw up an Action Plan to set out the remedial actions it had already taken and further actions that it planned to implement to remediate the shortcomings identified.

ANNEX 6

Case Study — Company Service Provider, Trustee and Fiduciary

In 2021, a targeted compliance review was performed on a company service provider that also offers trustee and fiduciary services (the SP). The CMC noted that, in August 2000, the SP had been engaged, by virtue of a fiduciary services agreement, to hold 100% of the shareholding in a corporate customer on behalf of the beneficial owner (the first BO). The SP had also been appointed as a director, company secretary and legal and judicial representative of the customer.

On the same date of the transfer of shares from the first BO to the SP, the first BO terminated the fiduciary services agreement. On the same date, the SP then proceeded to enter into a second fiduciary services agreement with another individual (the second BO) to hold the same shares on his behalf in the corporate customer. Notwithstanding the change in BO, the first BO retained complete control of the corporate customer through a power of attorney, through which he was granted the power to exercise control over the company without the need to refer to the directors (i.e., the SP).

In this case, it was evident that the SP had proceeded to provide services to its corporate customer without probing and questioning further the customer's set-up and without understanding whether this set-up presented any ML red flags.

The Committee concluded that the Company had breached its obligations in terms of:

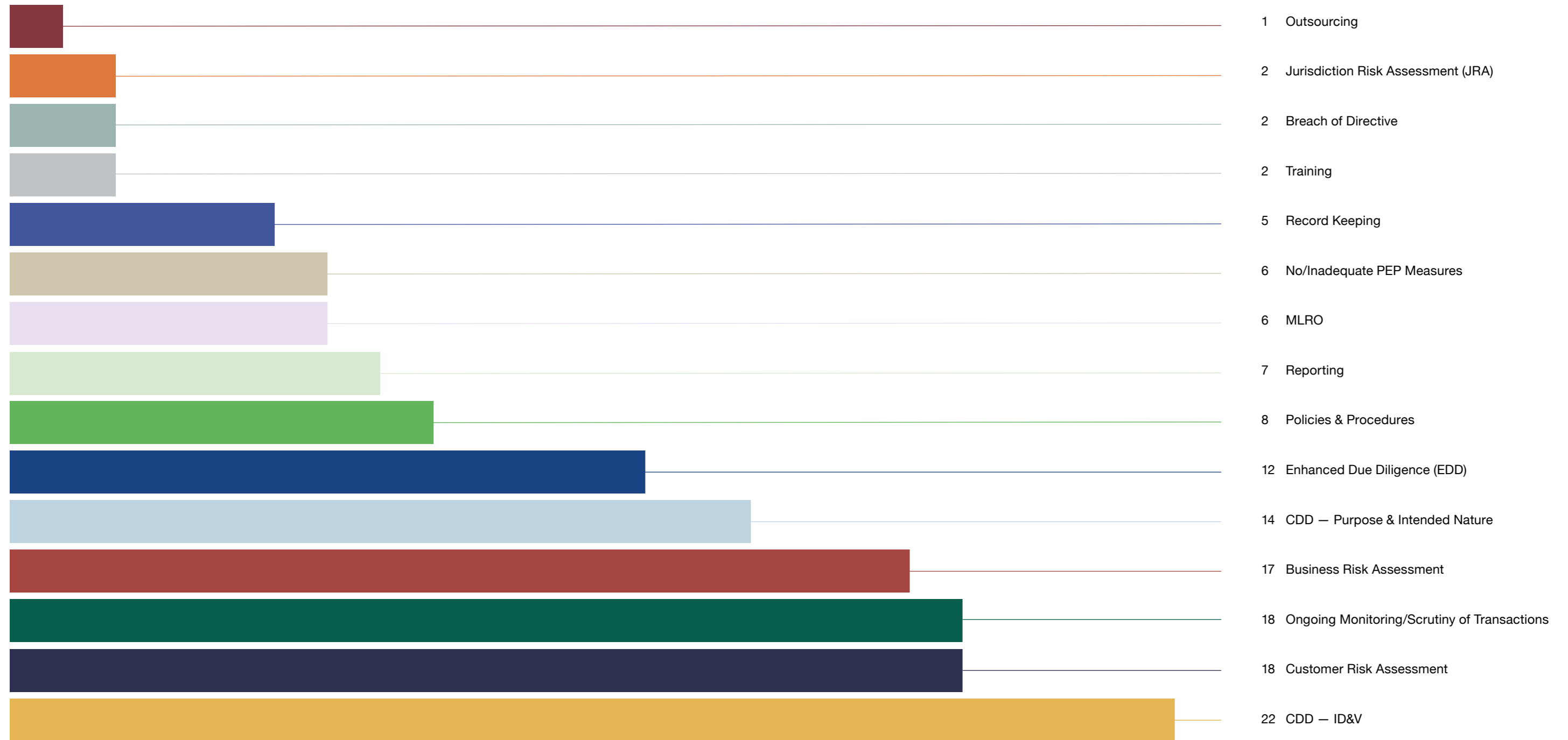
Regulation 15(1) of the 2008 PMLFTR for failure to examine, with special attention, the background and purpose of the complex transaction and its unusual pattern, including the fact that there was no visible economic rationale for structuring it in such a manner, therefore increasing the risks of ML. This should have required the SP to take more enhanced measures. This obligation is now provided for under Regulation 11(9) of the 2017 PMLFTR and Section 3.1.5.1 of the IPs.

Regulation 15(1) of the 2017 PMLFTR (Previously Regulation 15(4) of the 2008 PMLFTR) for the failure to have effective internal and external reporting procedures, as a result of which the SP failed to generate any internal report on this case for further scrutiny and to take a decision on whether there was suspicion that ML was taking place.



ANNEX 7

Weaknesses and short comings noted across all sectors in 2021 following a supervisory examination*



*Kindly note that these shortcomings are being reported per breach identified in the examination and not per file.



ANNEX 8

Breaches noted in the financial sector

Detail of the breach	Number of identified breaches following a supervisory examination	Administrative penalties imposed for the breaches identified following a supervisory examination
Ongoing Monitoring/Scrutiny of Transactions	14	€3,439,359
CDD – Purpose & Intended Nature	10	€1,881,593
Customer Risk Assessment (CRA)	10	€285,982
Business Risk Assessment	8	€316,169
CDD – ID&V	11	€2,657,927
Enhanced Due Diligence (EDD)	6	€460,626
Policies & Procedures	5	€92,926
MLRO	4	€175,996
Record Keeping	3	€137,776
Reporting	2	€1,197,149
Training	1	€0
No/Inadequate PEP Measures	1	€772
Grand Total	75	€10,646,274

ANNEX 9

Breaches noted in the non-financial sector

Detail of the breach	Number of identified breaches following a supervisory examination	Administrative penalties imposed for the breaches identified following a supervisory examination
Business Risk Assessment	9	€124,405
Customer Risk Assessment (CRA)	8	€168,241
CDD – ID&V	11	€41,271
No/ Inadequate PEP Measures	5	€69,411
Enhanced Due Diligence (EDD)	6	€167,368
Reporting	5	€107,500
Ongoing Monitoring/Scrutiny of Transactions	4	€230,642
CDD – Purpose & Intended Nature	4	€120,408
Record Keeping	2	€25,327
Policies & Procedures	3	€9,278
Breach of Directive	2	€37,525
MLRO	2	€57,518
Jurisdiction Risk Assessment (JRA)	2	€0
Training	1	€0
Outsourcing	1	€0
Grand Total	65	€1,158,894

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The Financial Intelligence Analysis Unit (FIAU) has made every effort to ensure that information, data and all content of this annual report is accurate at the time of publishing. The data presented covers the period ending 31 December 2021.