

9 September 2019

## MFSA combatting money laundering and the financing of terrorism

Mr Schapiro, Distinguished guests, Ladies and Gentlemen,

It is my pleasure to welcome you today at the MFSA as we get together to discuss and share experiences on some of the matters which are pivotal to our line of work. I would like, at the outset, to thank the Embassy of the United States of America and the Commodity Futures Trading Commission for their support in organising this event. It is an honour for us to be hosting so many high-profile speakers for this workshop and creating further dialogue on new industries.

Technology is an area which has always been of great interest to me, and I am a keen follower of how technology will change the future of finance and financial services. I am sure you will agree with me, that new realities, such as online banking services, cloud computing, blockchain and artificial intelligence, are transforming the financial services landscape. Indeed, finance and technology have now become intertwined.

Considering this constant evolvement, it is not surprising that FinTech brings about a number of challenges for all stakeholders within our industry. On top of these, the fight against money laundering and cybersecurity risks are two global phenomena which require our best collective efforts. Today, we are bringing together regulators and experts in the field to discuss the issues emanating in the AML and prudential supervision sphere, within the nascent FinTech sector.

### What we've done so far in the field of crypto assets

Malta, and the MFSA, have already gone a long way in the field of crypto assets. I can say that the founding stone of this exciting process was laid in November 2017, when we started our regulatory journey in this sector. Following extensive consultation, locally and abroad, we became the first EU jurisdiction to have a complete framework that caters for all key areas of risk, be they risks to consumers, market integrity, financial crime or cyber security.

Following the implementation of applicable regulation, we approved the first VFA Agents which will be playing a pivotal gatekeeping role. These agents will be providing a first line of defence, making sure that only persons who are fit and proper enter the financial system. This allowed the Authority to start accepting applications for the registration of whitepapers and licensing of VFA Service Providers. Meanwhile, we also look forward to launching the Regulatory Sandbox. This will serve as a testing ground for FinTech operators to analyse and evaluate their innovations, for a select period of time, within a controlled environment.

As you may be aware, during the past two years, the MFSA has made great strides in the field of FinTech, and we are expecting this momentum to be maintained. However, we are mindful of two key challenges identified at the conceptual stages of the framework and which we are also tackling during these three days together: [a] the risk that entities operating in this sphere are used for purposes of money laundering and the financing of terrorism; and [b] cybersecurity

### **Financial Crime Compliance**

In an index published last month, Malta ranked 113 from 125 countries analysed by the Basel Institute for Governance, making it a low risk jurisdiction for money laundering and terrorist financing. While we welcome this positive news, we will definitely not be complacent in the face of challenges posed by financial crime. In fact, this is an MFSA key priority, with a clear target of achieving a level of supervisory engagement which goes beyond what is required by international standards in the field. As outlined in our recently published Strategic Plan, we consider financial crime compliance as an intrinsic part of the MFSA prudential and conduct supervision.

Financial crime poses threats to the stability of the industry and the country at large. We are committed to focus on training and awareness, whilst further strengthening the coordination and cooperation with other relevant local and international bodies. Through the establishment of a specialised and dedicated team on Financial Crime Compliance, we are accelerating our effectiveness in detecting and responding to risks, or instances of misconduct, by supervised firms.

In the realm of financial technology, the challenges are even bigger, as criminal organisations around the world seek innovative ways to launder money. Through its legislation, Malta has sought to mitigate the AMLCFT risks relating to crypto assets by going beyond what is required by the EU's fifth anti money laundering directive, making all operators in this field subject persons for anti-money-laundering purposes. In this area we are carrying out a detailed level of scrutiny and monitoring, thanks also to our collaboration with CipherTrace, who are providing us with powerful oversight tools that automate part of the supervisory processes relating to crypto asset businesses that are licensed in Malta.

### **Cybersecurity**

Cybersecurity is another supervisory priority for the MFSA - and a key pillar in our Strategic framework.

We are aware that the crypto asset sector poses additional risks in this regard, and it is for this reason that we have issued a set of Guidelines on cyber-security within the context of crypto assets. Based on guidelines established by the European Banking Authority, our own guidelines are focused on establishing regulatory frameworks governing the cybersecurity requirements of various actors across the financial industry. Initiatives are planned to ensure that regulated firms have a cybersecurity programme in place. These measures are designed to enhance their resilience to cyber-attacks and mitigate the risks associated with such threats, such as, disruption of service, data breaches and the loss of data.

## Conclusion – International cooperation

Combatting financial crime is no mean feat. It necessitates a joint effort for us to build a united front.

In our journey to become a top-tier regulator in Europe, we are committed to strengthen our ties with international institutions and regulators and join forces in our efforts to clamp down on financial crime. Resonating with the US treasury official's, Marshall Billingslea's call for a zero-tolerance approach during his visit to Malta last month, we are indeed fostering stronger relationships with the US Embassy and engaging in knowledge sharing and technical support, so that we enter the FinTech space with the highest level of preparedness.

We strongly believe that mutual sharing of expertise and experiences is highly beneficial and plays a major role in building mutual trust between financial supervisors.

I would like to thank you once again for sharing this experience with us and for choosing to be at the forefront in this fight against global crime. I wish you all a good session!