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The MFSA's Update on the AML/CFT Strategy Confirms Its Ongoing Commitment to Deterring Financial Crime

The MFSA has today published a status update on the implementation of the 2019 MFSA Anti-Money Laundering/Countering Funding of Terrorism (AML/CFT) supervisory strategy. The document marks the Authority's ongoing commitment to developing and embedding best practices throughout the financial services industry, as well as internally within the organisation itself, to deter financial crime.

The status update acts as a follow-up to the 2019 AML/CFT Strategy and provides an overview of the action points and projects that have been completed, as well as those still in progress. Since 2019, the MFSA has registered significant improvement in the area of AML/CFT. These include:

- The setting up of a dedicated Financial Crime Compliance function composed of 20 fully trained employees.
- The setting up of a separate Due Diligence function which provides an additional layer of checks and balances, complementing the Authority's authorisations and supervisory functions.
- The thorough and holistic review of the MFSA's supervisory and authorisation processes.
- The integration of an AML/CFT element in all prudential and conduct supervisory work.
- The setting up of a new Risk function to assist in the application of the risk-based approach.
- Extensive training programmes for all MFSA employees including mandatory AML/CFT, Sanctions and Anti-Bribery and Corruption programmes, totalling to 743 training hours as at end 2020.
- The strengthening of the Enforcement function with additional people capacity, enabling investigations of potential breaches and prompt action in case of non-compliance.
- Increased supervisory focus on fitness and propriety, competence, and personal liability of senior management. The MFSA requested an MLRO substitution from 16 licence applicants throughout 2019, and a further 29 in 2020.
- Update of the Trusts and Ultimate Beneficial Ownership Register (TUBOR), which saw a ten-fold increase in registrations since its launch in 2018.
- The revision of the Company Service Providers regime.
- A significant increase in outreach programmes and industry awareness.

Anthony Eddington, Head of Financial Crime Compliance at the MFSA stated that, "The MFSA has managed to increase AML/CFT full-scope examination capacity from 25 in 2019, to 81 in 2020. During these examinations, the MFSA checks the financial crime controls in place which seek to ensure that entities, such as banks and financial institutions, are not used for the purpose of laundering money or for the financing of terrorism. We also verify that if criminal activity is identified as a result of the

institution's transaction monitoring processes or other factors that come to light, a suspicious transaction report is made to the FIAU. If we identify weak systems and controls with respect to AML/CFT, this is reported to the FIAU which, in turn, takes regulatory action. As a result of our efforts, we have considerably enhanced the AML/CFT control framework through more robust intrusive inspections, evidencing effective proportionate and risk-based supervision."

The detection methods that have been implemented act as a credible deterrence to those parties that wish to circumvent or attempt to circumvent AML/CFT controls. With the strengthening of the Money Laundering Regulations in 2020, personal liability is placed upon all significant control function holders.

"Our measure of success is not just in numbers but rather in the improvement of compliance culture of financial services operators in Malta. We have seen a positive shift in this respect, with real investment in back-office systems, controls and people. It is more difficult today to launder money through our financial system or to finance terrorism from Malta's financial institutions", added Anthony Eddington.

MFSA CEO ad interim and Chief Officer Supervision, Dr Christopher P. Buttigieg added: "The thorough and holistic review of the MFSA's supervisory and onboarding processes has been our number one priority for the past two years. It is critical for the MFSA and its national counterparts to keep up with existing and emerging criminal threats and vulnerabilities. It is our responsibility to ensure that market players implement a strong and effective compliance framework that deters and detects criminal infiltration. Hence, significant investment in financial crime compliance is necessary and vital for the integrity of Malta's financial system."

The MFSA continues to identify areas where it can strengthen its practices through engagement with other Supervisory Authorities, participation in the international community and through an ongoing process of organisational development.

The MFSA's AML/CFT strategy update document may be downloaded from [here](#).

Note to Editors:

The Prevention of Money Laundering and Funding of Terrorism Regulations recognise the MFSA as a supervisory authority responsible for the financial services sector and therefore has onerous statutory duties to fulfil. As the gateway for all financial services business in Malta, it also has an important role of supporting the main AML/CFT regulator in Malta, the Financial Intelligence Analysis Unit (FIAU).

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Vision 2021, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.



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