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## MFSA Guides MLROs on Best Practices, Drawing Insights from 300 Interviews and Supervisory Interactions

The Malta Financial Services Authority (MFSA) has released its [Guidance for Money Laundering Reporting Officers \(MLROs\) in the financial services sector](#), outlining the Authority's expectations for individuals proposed to fulfil MLRO positions and presently approved MLROs.

This [guidance document](#) is motivated by and draws insights from the MFSA's observations related to Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) practices and knowledge, amongst applicants and licence-holders. These observations have been gathered from over 170 interviews conducted with applicants intended to fulfil MLRO functions, as part of the approval process, as well as during 118 supervisory inspections of authorised entities across the entire financial services sector, over the past three years.

As part of its remit, the MFSA is responsible for scrutinising and approving licence-holders' key function holders, such as that of a MLRO. In the words of MFSA's Chief Officer Supervision, Christopher P. Buttigieg, "MLROs fulfil one of the most important functions in AML/CFT and act as conduits between the financial services sector and us as regulators. We have a vested interest in providing the necessary guidance, not only to MLROs, but also to other key function holders that are ultimately in the best position to support them."

Financial crimes such as money laundering and the funding of terrorism present a tangible threat to the stability of the financial services sector. For this reason, the MFSA gives priority to ensuring that individuals intending to take on an MLRO position are equipped with the necessary knowledge and expertise. The MFSA considers it essential for individuals applying for their approval of MLRO positions to be aware of the relevant obligations, requirements, and regulatory expectations.

Furthermore, the MFSA's oversight over MLROs continues throughout the supervisory lifecycle of its licence-holders, as set out in its [2019 AML/CFT Strategy](#), where it commits to considering financial crime related matters also during supervisory engagements.

In this [guidance document](#), the MFSA highlights the common issues that it encounters while scrutinising proposed individuals for MLRO positions and approved MLROs, with particular attention to key themes, such as, their independence, autonomy, and accountability, conflicts of interest, their knowledge and expertise, the time that is dedicated to the role, as well as training and awareness.

Self-assessment questions are also included in the document as an additional resource for MLROs, and the regulated firms within which they operate, to be used as aids for establishing the appropriateness of their approach. These are coupled with examples of both good and bad practices.

Commenting on the publication of these guidance notes, MFSA CEO Kenneth Farrugia said, “The MFSA remains steadfast in upholding high standards for both its licence-holders and anyone holding prominent roles, such as that of an MLRO, within the control frameworks of regulated firms. The MFSA’s efforts in this specific regard contributes to our long-standing priority to protect and maintain the safety and integrity of the financial services sector, which in turn also falls in line with national strategic priorities.”

On his part, MFSA’s Head of Financial Crime Compliance Matthew Scicluna said: “Over the past three years, the Financial Crime Compliance Function has dedicated substantial efforts towards the approving and supervising of MLROs. This guidance document is a testament to our commitment towards facilitating applicants’ preparation for prospective MLRO positions and improving the sector’s levels of understanding on our expectations.”

## 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 Strategic Statement, 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.

