

2024

Financial Crime Compliance Annual Update

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GLOSSARY

| | |
|----------------|--|
| AMLSC | Standing Committee on Anti-Money Laundering and Countering Terrorist Financing |
| AML | Anti-Money Laundering |
| CASP(s) | Crypto-Asset Service Providers |
| CDD | Customer Due Diligence |
| CSP(s) | Company Service Providers |
| EBA | European Banking Authority |
| EC | European Commission |
| EIOPA | European Insurance and Occupational Pensions Authority |
| ESMA | European Securities and Markets Authority |
| FCC | Financial Crime Compliance |
| FSA | Financial Supervisors Academy |
| MIA | Malta Institute of Accountants |
| ML/FT | Money Laundering and Financing of Terrorism |
| MLRO | Money Laundering Reporting Officer |
| NCA(s) | National Competent Authorities |

| | |
|-------------------|--|
| NCC | National Coordinating Committee |
| NIA | National Interest (Enabling Powers) Act |
| SAR/STR(s) | Suspicious Activity Reports / Suspicious Transaction Reports |
| SMB | Sanctions Monitoring Board |
| TCSP(s) | Trustees and Company Service Providers Supervision |
| UBO | Ultimate Beneficial Owner |
| AMLSC | Standing Committee on Anti-Money Laundering and Countering Terrorist Financing |

Introduction

This Annual Update outlines key achievements, strategic initiatives, and collaborative efforts of the Financial Crime Compliance function (FCC or the function) within the Malta Financial Services Authority (MFSA or the Authority) throughout 2024. It also reflects on the evolving regulatory developments and the enhancements made to the function's supervisory approach to ensure that the financial institutions under the MFSA's remit remain resilient, compliant, and accountable. The statistics presented herein are direct extracts from the function's Management Information Dashboard which is used to record keep all management information stemming from the function's different areas of work.



The Function

The Financial Crime Compliance function is dedicated to strengthening the MFSA's role in preventing the use, involvement, and/or facilitation of Authorised Persons in money laundering, the financing of terrorism and other financial crimes. The function supports the Authority's authorisation and supervisory teams in their operations across all sector-specific functions. Through the establishment of a bilateral Memorandum of Understanding, the function also collaborates with the Financial Intelligence Analysis Unit, the Sanctions Monitoring Board, and other national and international stakeholders.

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MFSA AML/CFT Coordination Committee

AML/CFT Coordination Committee

Established in 2020, the Prevention of Money Laundering and Financing of Terrorism (ML/FT) Committee acts as a consultative forum for the alignment and coordination relating to anti-money laundering (AML) investigations and processes. This Committee reports on its activity to the Executive Committee once every six months. The below are its members as established by its charter.

Members

| | |
|--------------------------------|-----------------|
| Prof. Christopher P. Buttigieg | Chairman |
| Dr Michael Xuereb | Deputy Chairman |
| Mr Paul Caruana | Member |
| Ms Margherita Privitera | Member |
| Mr Matthew Scicluna | Member |
| Mr Stephen Galea | Member |



Two of the function's Officials served as Committee Secretary and Co-Secretary, responsible for coordinating and facilitating the Committee's meetings in accordance with its Charter. The Committee met three times (29 January; 24 June; 22 October) in 2024. The function contributed to all Committee meetings by providing updates and discussing the following:

Thematic Exercise on Company Service Providers

Training and Outreach Initiatives

EuReCa Submission Process

EBA AML/CFT implementation Review

EBA-related workstreams (Subgroup on ML/FT Risks, Guidelines on "Reasonable Grounds to suspect" in the context of suitability assessments)

Onsite Examination Updates

National Coordinating Committee (NCC) related Workstreams

MONEYVAL pre-evaluation Updates

Thematic Exercise on Financial Institutions and Crypto Asset Service Providers (TF/TFS)

Updates on AMLA-related workstreams

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Direct AML/CFT Supervision

Cooperation with the FIAU

The MFSA serves as a key stakeholder in the conduct of AML/CFT supervision on behalf of the Financial Intelligence Analysis Unit (FIAU). The function conducts AML/CFT compliance engagements on MFSA licence holders either on behalf of, or jointly with, the FIAU. These supervisory engagements are carried out in line with the FIAU's risk-based supervisory methodology and annual supervisory plan. The function also adopts a similar collaborative approach with the Sanctions Monitoring Board (SMB) in relation to the supervision of sanctions compliance. This cooperative framework is governed by a Memorandum of Understanding between the MFSA, the FIAU, and the SMB, which facilitates information sharing, promotes consistent supervisory practices, and supports the effective implementation of Malta's AML/CFT and sanctions frameworks. Through these coordinated efforts, the MFSA plays a vital role in safeguarding the integrity of the financial system and strengthening the national fight against financial crime.

AML/CFT Delegated Examinations

In 2024, the function carried out **27 FIAU-delegated supervisory engagements**. These supervisory interactions consisted of focused (targeted) and thematic engagements, covering different areas of financial services, with a predominant focus on Company Service Providers (CSPs), covering various aspects of AML/CFT.

The scrutiny of transactions (Regulation 7(2)(a) of the PMLFTR).

Adherence with beneficial ownership obligations (Regulations 7(1)(a) and 7(1)(b) of the PMLFTR).

Identification and assessment of risks at a business and customer level (Business Risk Assessment and Customer Risk Assessment) when providing company services.

The application of customer due diligence measures on customers who fail to file financial statements.

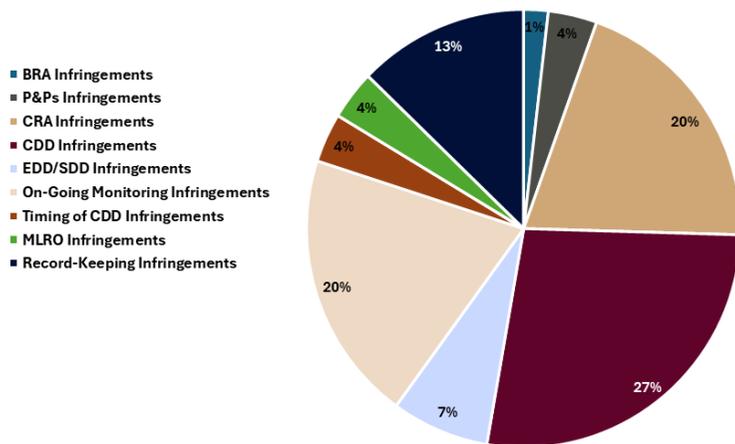


Figure 1: Percentages of Categorised Findings

Figure 1 illustrates the distribution of the potential AML/CFT-related breaches identified during supervisory visits carried out by the function between **July 2023** and **June 2024**. The highest proportion of breaches (27%) related to **Customer Due Diligence**. This was followed by **Customer Risk Assessment** breaches (20%) and **Ongoing Monitoring** issues (20%). **Record Keeping** issues (13%) and **Simplified Due Diligence / Enhanced Due Diligence (SDD / EDD) infringements** (7%) also represented notable areas of concern. Other potential breaches included deficiencies in **Policies and Procedures** (4%) and **Business Risk Assessment breaches** (1%). These findings underscore the need for continued efforts to strengthen AML/CFT

controls across key functional areas. These outlined potential infringements are subject to the FIAU Supervisory Committee's and/or Compliance Monitoring Committee's confirmation and approval.

A Focus on CASPs

In 2024, the FIAU conducted and led two examinations on Crypto-Asset Service Providers (CASPs) with a focus on customer risk assessment, customer profiling and transaction monitoring. In view of the significance of these supervisory interactions, the FIAU requested the function's support.

The nominated Officers participated and contributed to MLRO interviews, system walkthroughs, file reviews and systems testing, the collection of clarifications and closure meetings.



Attendance to FIAU Supervisory Committees

In 2024, the function attended 40 FIAU Supervisory Committee Meetings. This FIAU committee is responsible for determining the outcomes of compliance examinations that did not result in the identification of serious, systematic and/or repetitive breaches of AML/CFT obligations.

FIAU and SMB Reports

In 2024, the function issued a total of **79 reports**. Of these, 52 were prepared on behalf of the FIAU, while the remaining 27 were letters addressed to the SMB.

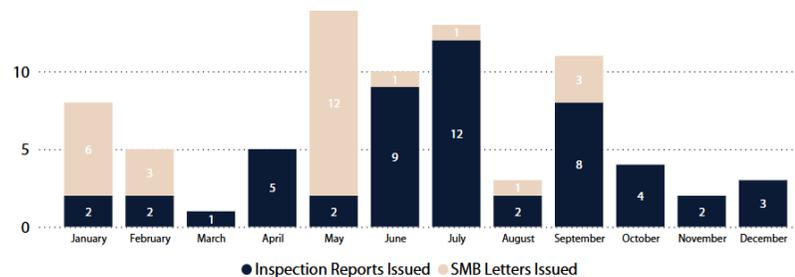


Figure 2: Inspection Report and SMB Letters

The 52 reports issued for examinations led by the FCC Onsite Team included the following:

¹ These reports were drafted in 2024 but not issued to the respective Subject Persons.

28 Closure letters

14 Remediation Letters

10 Compliance Examination Reports (Potential Breaches Letters)

In addition to the reports issued throughout 2024, the function also worked on another 11 reports¹ (closure or remediation cases), which were sent to the FIAU's Quality Control Team for review prior to issuance to the respective Subject Persons.

Internal Memos raised to MFSA Functions

The function adopts a pro-active approach when it comes to the identification of potential significant shortcomings during AML/CFT supervisory evaluations.

In 2024, a total of **four Memos** were raised by the function. In view of the significant concerns noted, FCC deemed necessary to disclose the preliminary observations immediately, for potential prudential action by the respective supervisory function. In certain cases, the memos raised in 2024 resulted in follow-up supervisory engagement led by the responsible supervisory function.

Suspicious Activity/Transaction Reporting

A total of 22 Suspicious Activity Reports / Suspicious Transaction Reports (SAR/STRs) were escalated to the MFSA's MLRO in 2024, following the identification of suspicious activity during AML/CFT supervisory examinations.

The main reasons for suspicion being reported related to:

Unexplained Wealth

Money Laundering

Open-Source Hits

Figure 3 provides the total number of STRs submitted in relation to these respective categories, namely, unexplained wealth, money laundering, and Open-source hits.

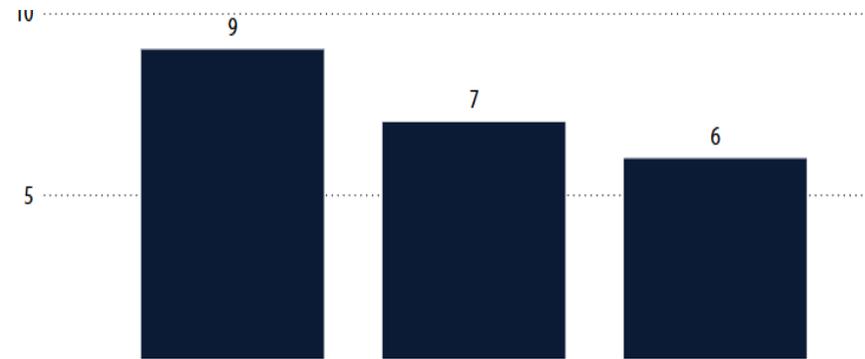


Figure 3: Number of STRs raised by Category

Investment firms and CSPs were the main types of licence holders that featured in the STR/SARs raised on their respective customer base under review during 2024, as illustrated in Figure 4 below.

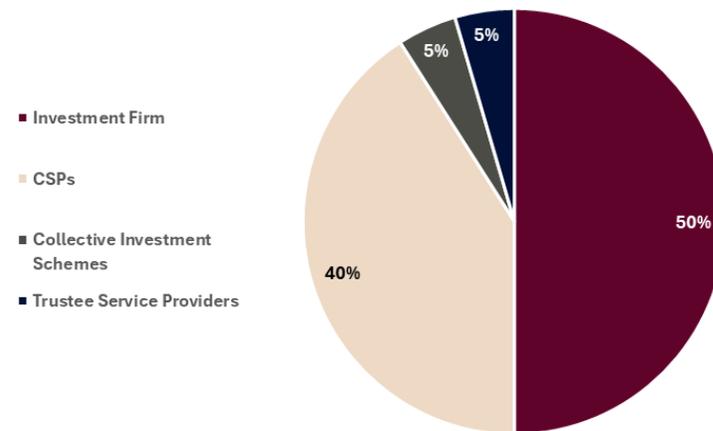


Figure 4: Sectors linked with Submitted STRs

Cooperation with the Sanctions Monitoring Board

The function actively cooperates and supports the SMB by assisting in the monitoring of the Subject Person’s compliance with the obligations stemming from the National Interest (Enabling Powers) Act (NIA), during AML/CFT Compliance Engagements. During these interactions, the function scrutinises the Subject Persons’ adherence to sanctions screening obligations set out in Article 17(6) of the NIA by evaluating the Licence Holders’ sanctions screening policies, and testing controls implemented.

To this end, in 2024, the function **shared 27 items of information** on Licence Holders’ adherence to sanctions screening obligations with the SMB. Since the establishment of the MOU between the MFSA and the SMB, as at end of December 2024, the function issued a total of **243 SMB Reports**, of which 91 cases were being reviewed by the SMB.



Figure 5: SMB Reports Statuses

In addition to the above-mentioned engagements, the function, in collaboration with the Investment Services Supervision function and,

at the time, the Trustees and Company Services Providers Supervision (TCSPs) function, **initiated three compliance examinations** on a particular Subject Person covering three different licences, namely investments, trusteeship services and corporate services. Here, the function predominantly focused on sanctions compliance, providing reports to the SMB outlining the observations noted during the engagements.

Considering FIAU Supervisory Outcomes

AML/CFT related outcomes provide valuable insights into the effectiveness of a subject person's compliance framework and highlight areas of concern that may impact the entity’s broader governance, risk management, and internal control structures. By considering these findings, the MFSA can adopt a more holistic and risk-based approach to supervision, ensure better coordination

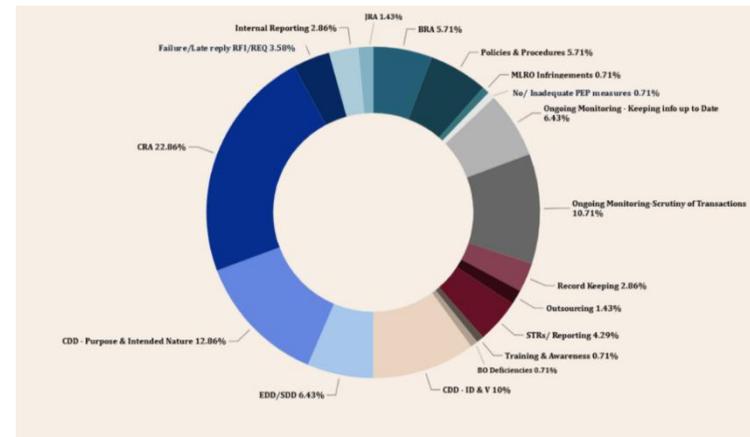


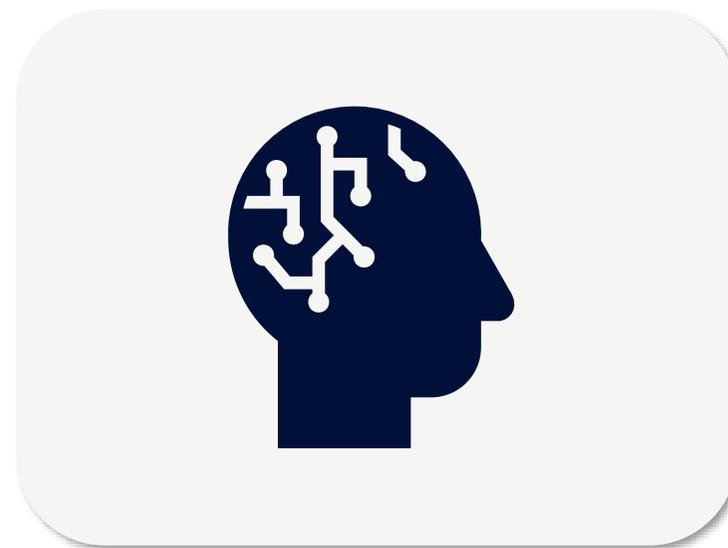
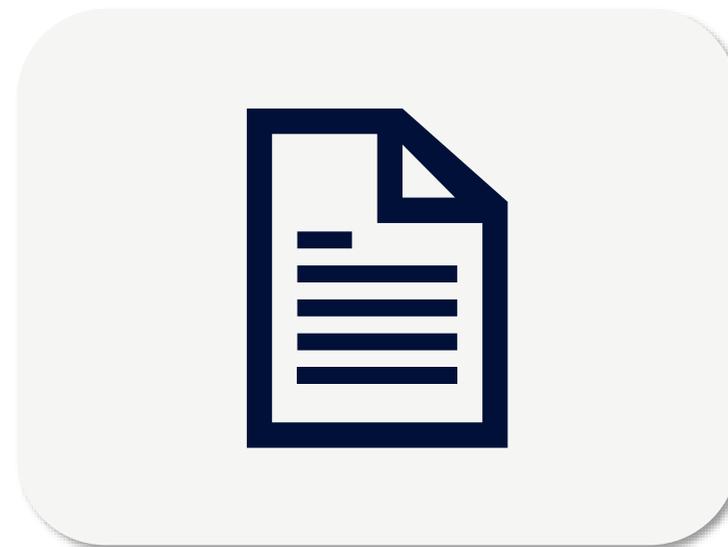
Figure 6: Percentages of AML/CFT related Outcomes

between competent authorities, and enhance the consistency and impact of regulatory interventions.

Figure 6 provides a general overview of the types of AML/CFT related findings emanating from direct AML supervision during 2024 (uncategorised). As can be observed, the most prominent findings pertained to risk assessment practices, customer due diligence, and ongoing monitoring – all of which are critical areas that may signal broader regulatory concerns within a licence holder.

Intelligence Reports

In 2024, a total of **12 spontaneous intelligence reports** were received and scrutinised by the function from the FIAU. In addition, the function also handled cases involving proposed individuals for MLRO positions and their related entities. This involved cross-checking names of individuals and entities to determine whether any applicants and/or licence holders were referenced in any SARs or STRs submitted. The absolute majority of these intelligence reports related to the investments sector.



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Advisory

Contributing to the Licensing Process

The MFSA fulfils a crucial role as gatekeeper to Malta’s financial services sector and, as a Member State authority, to the overall European financial services industry. While applications are assessed holistically by the MFSA pursuant to both European and local legislative and regulatory standards, a substantial level of scrutiny is also exercised over applicants’ proposed AML/CFT frameworks. This scrutiny is intended to ensure that newly forming financial services businesses are not only sound from a regulatory perspective but also feature the commensurate AML/CFT-related controls, thereby ensuring Authorised Entities’ long-term sustainability.

The function’s contributions to the MFSA’s licensing processes have mainly consisted of licence application (including, *inter alia* policies & procedures and risk assessment) reviews from an AML/CFT perspective, assessing MLRO applications, contributing to tripartite meetings and assisting other Supervisory Functions by attending to regular queries.

Throughout 2024, the function contributed to reviews on **110 new licence applications**. The licence segregation of these applications can be observed in the following bar chart.

The **top 5 most frequently identified issues** from these application reviews included the following:

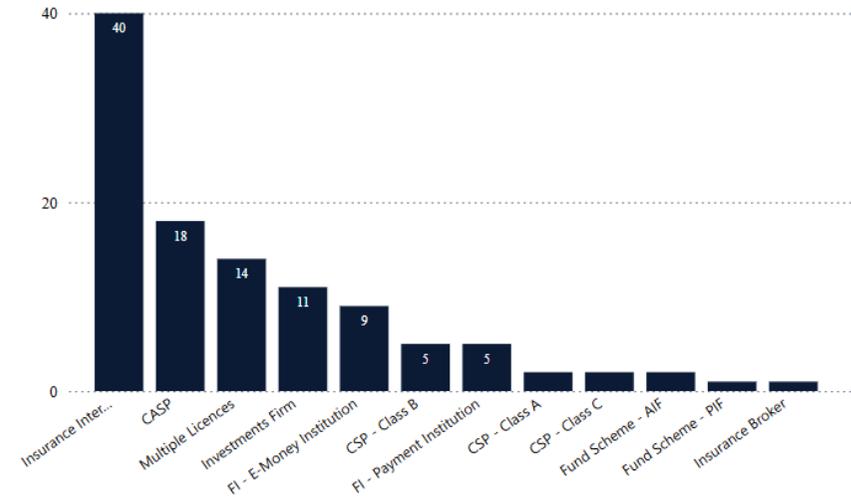


Figure 7: Application Review Totals per Licence

| | |
|--|---------------------|
| MLRO (proposed person) related issues | 13 instances |
| Due diligence procedures inconsistent with legislative/regulatory expectations | 11 instances |
| Inadequate Business Risk Assessment Methodology | 5 instances |
| Inadequate AML/CFT Policies and Procedures | 4 instances |
| Inadequate Jurisdiction Risk Assessment Methodology | 4 instances |

Moreover, in 2024, the function also received 64 applications for proposed MLROs across all sectors. The function conducted 60 MLRO interviews to assess the candidates’ suitability and ability to meet the expectations of the role. These included 4 interviews within the Trustees and CSPs sector, 10 in the investment services sector, 4 in the insurance and pensions sector, 33 in the financial institutions sector, 30 in the Crypto Asset Service Providers sector, and 3 in the

banking sector. 43 of these interviews were conducted in collaboration with FIAU in its capacity as an AML supervisor. There were instances where interviews covered multiple sectors at once. The top 5 most frequently identified issues from these included:

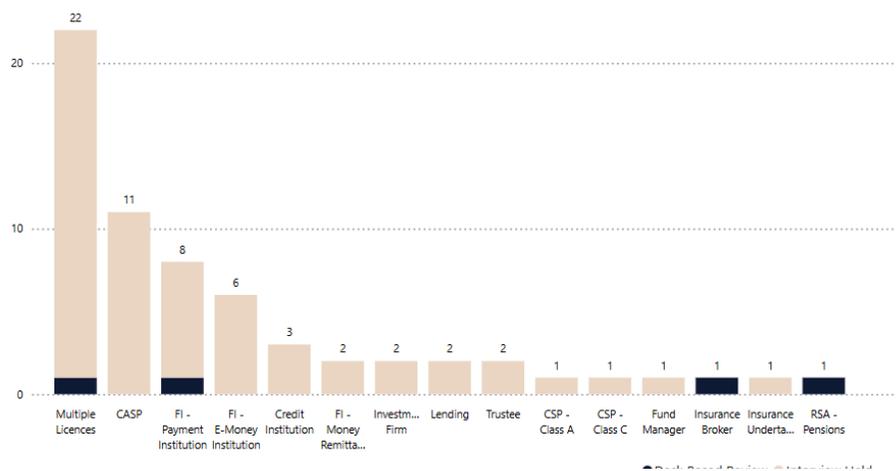


Figure 8: Interview vs Desk Based proposed MLRO Assessments

| | |
|--|--------------------|
| Exhibiting a lack of basic AML/CFT knowledge | 7 instances |
| Exhibiting poor legislative proficiency | 6 instances |
| Exhibiting a lack of knowledge on financial crime compliance related matters | 5 instances |
| Proposed person not exhibiting sufficient awareness of business/sector-specific ML/FT risks | 4 instances |
| Proposed person not exhibiting sufficient knowledge of potential red-flags/suspicious activity | 4 instances |

Financial Crime Compliance within Prudential and Conduct Supervision

Similar to its consideration of AML/CFT related aspects within the Authority's licensing processes, the function also contributes throughout the MFSA's supervisory efforts. These contributions revolve around MLRO interviews conducted during MFSA supervisory interactions, prudential and post-authorisation engagements, and thematic reviews.

Requesting more information and/or clarifications on certain unclear submissions,

Requesting the submission of further AML/CFT-related documentation to provide further insight into the authorised entity's control framework,

Recommending further training to the MLRO on AML/CFT-related obligations, and

Submitting a red-flag report to the FIAU.

From a supervisory perspective, the function provided cross-sectoral support, primarily focused on identifying financial crime related risks or issues in the lead-up to, or during supervisory interactions conducted by other supervisory functions. Throughout 2024, the function received and reviewed a total of **70 MLRO interview questionnaires**, emanating from all supervisory functions within the MFSA.

The most common outcomes noted throughout the questionnaires included:

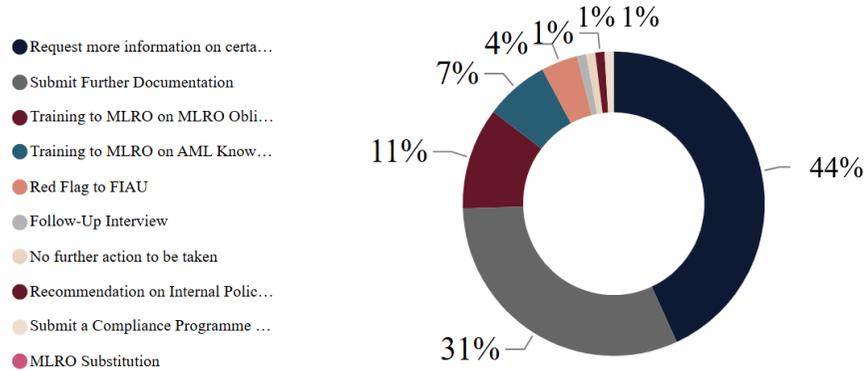


Figure 9: Percentage of Outcomes per Category

As can be seen in the above figure, requesting more information on certain areas that were not explained sufficiently during interviews and requesting the submission of further documentation (e.g., policies and procedures) features as the most popular outcomes.

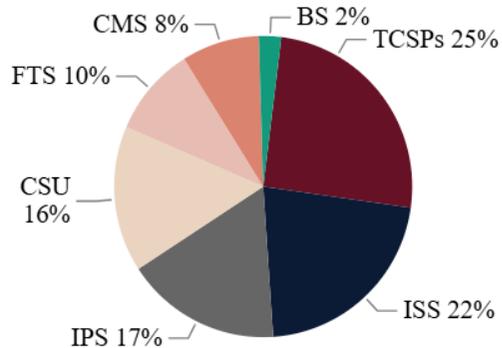


Figure 10: Percentages of MLRO Interviews

² BS - Banking Supervision; TCSPs – Trusts and Company Service Providers; ISS - Investments Services Supervision; IPS – Insurance and Pensions;

The above figure exhibits the distribution of these outcomes across all the different sub-sectors.²

Prudential and Post-Authorisation Engagements

The function also conducts prudential and post-authorisation engagements upon request by the respective supervisory functions. These engagements entail the direct participation of the function’s officials during supervisory interactions.

The initial reasons that led the function to engage with supervisory functions within a given supervisory interaction may vary greatly. However, throughout 2024, these underlying reasons were commonly related to governance or AML/CFT related issues being flagged by the respective supervisory functions, the scrutiny of newly appointed MLROs being combined with planned supervisory interactions, underlying issues related to incumbent MLROs being identified through the course of supervisory interactions (i.e., conflicts of interest), and licence holders undergoing substantial capital injections or increases to their share capital.

During 2024, the function participated in **8 supervisory engagements** where other functions encountered governance weaknesses and potential concerns. For 2024, all these engagements were driven via supervisory interactions rather than emanating from post-

Supervision; CSU – Conduct Supervision; CMS – Capital Markets Supervision; FTS – Fintech Supervision.

authorisation conditions. Figure 11 provides the distribution of engagements according to licence type.

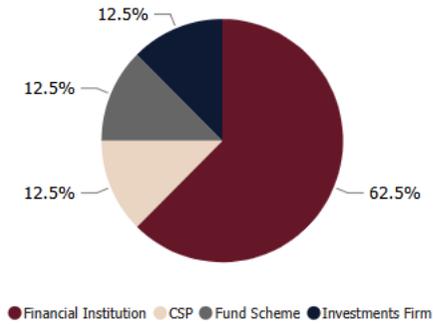


Figure 11: Engagements by Licence Type

authority) with supervisory information that while not meriting the submission of a STR, are still deemed by the MFSA to be of substantial concern and would warrant the consideration of the FIAU. Throughout 2024, the **function received 22 red flag reports** from the various supervisory functions.

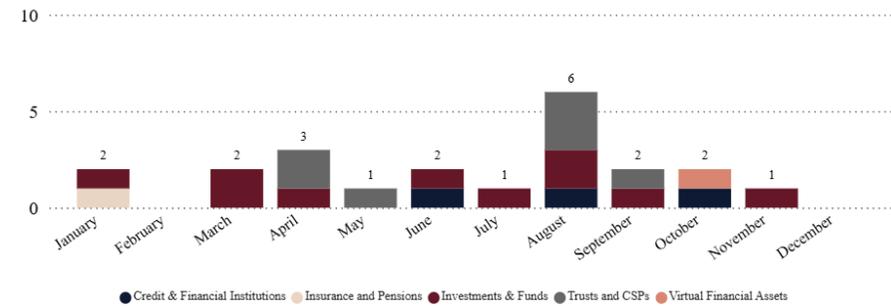


Figure 12: Red Flag Reports by Sector

Red Flag Reports

The European Banking Authority’s Cooperation Guidelines stress the importance of timely information exchange between prudential authorities, AML/CFT supervisors, and FIUs. Such collaboration ensures that supervision and related decisions are based on accurate, relevant, and comprehensive information, helping to identify risks effectively and strengthen the financial system’s resilience.

The MFSA’s submission of STRs to the FIAU is supported by a long-standing procedure. Alongside this method of information exchange, the MFSA also provides the FIAU (in its capacity as an AML/CFT

Figure 13 shows that upon the function’s review of the submitted material, the majority of cases where ultimately forwarded to the FIAU for its consideration.

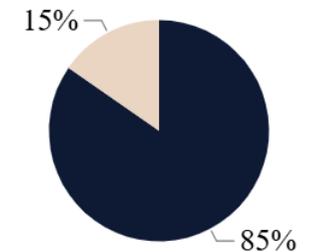


Figure 13: Red Flag Reports Submitted to FIAU

For context, the majority of these cases emanated from the Authority’s main supervisory initiatives, represented in Figure 14 as ‘ad hoc’, while almost 20% of red flag reports were triggered from supervisory interactions which considered AML/CFT.

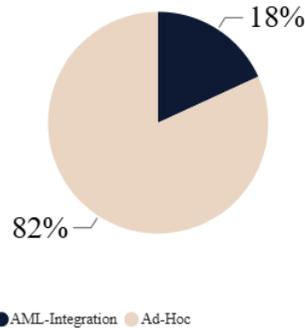


Figure 14: Sources of Red Flag Reports

The below are some examples of themes/topics that featured in these red flag reports.

| |
|---|
| Persistent shortcomings which have also been highlighted by the MLRO in their reports to the Board of Directors. |
| Links to potential fraud (forged signatures) |
| Complaints received that the Licence Holder's clients have committed fraud/scams in which multiple individuals fell victim. |
| Adverse media identified via MFSA’s due diligence process. |
| Intrusive Ultimate Beneficiary Owner (UBO) structure leading to corporate governance issues. |

Thematic Reviews

Thematic reviews on specific AML/CFT practices and sub-sectors significantly featured within the function’s work. The function conducted the following **3 separate exercises**:

MLROs within the Financial Services Sector

This thematic review utilised data related to competence assessments and **supervisory interactions with MLROs accumulated over three years**. This data facilitated the Authority’s understanding of trends in relation to **governance practices related to MLRO’s knowledge and expertise, conflicts of interest, resources and time commitment, and training and awareness**.

MLROs within CSPs which are corporate entities

Sampling **50 corporate CSPs**. This exercise provided deeper insight into CSPs practices in relation to MLRO’s reporting lines, training and awareness, internal control mechanisms, business model risks, knowledge and expertise, and time commitment.

FT and sanctions evasion risks in CASPs and Financial Institutions

Focusing on **FT and sanctions evasion risks** within licence holders characterised with utilising new technologies in their products and compliance frameworks, this thematic exercise provided insight into entities’ **risk understanding, mitigating measures, client screening practices, transaction monitoring, and staff training**.

4

Policy and Risk

Noting its horizontal nature means that substantial avenues through which the function contributes relate primarily to policy work and coordination in relation to risk assessment. For clarity, the term 'Policy' is used as an umbrella term for work that relates to the function's presence in international, European and local committees, working groups, and networks and hosting bilateral meetings with counterpart authorities. Likewise, the term 'Risk' encapsulates the function's coordination of workflows relating to the FIAU, the EBA and other internal relevant committees.

Policy

NCC-Related Workstreams

Throughout 2024, the function contributed to a wide array of initiatives being coordinated by Malta's National Coordinating Committee of AML/CFT (NCC) relating to preparations for evaluation periods, legislative amendments, and peer networks. The following are a summary of these efforts:

- Contributing to inter-agency discussions on preparing for the next round of FATF/MONEYVAL evaluations, including the provision of feedback on newly compiled templates intended for National Competent Authorities' (NCA) preparatory work ahead of future assessments, discussions on the FATF's updated methodology, and contributing to discussions on effectiveness, materiality, and case studies.

- Cooperating and contributing to the NCC-drafted methodology for updating the Maltese National Risk Assessment (2025/2026) alongside other NCAs. This included participating in specific cross-sectoral working groups (for example, ML threats and ML vulnerabilities working groups).
- Fulfilment of new applicable action points related to ML/FT/TFS/PF stemming from a newly updated national strategy.
- Contributing to discussions on legislative amendments (for example, Malta's Proceeds of Crime Act and Prevention of Money Laundering and Funding of Terrorism Regulations).
- Drafting an updated MFSA AML/CFT Strategy.

In relation to the first bullet-point above, at the end of 2024, the function coordinated the MFSA's first submission of information to the NCC in line with these newly compiled effectiveness templates.

The EBA's AML Standing Committee

The Standing Committee on Anti-Money Laundering and Countering Terrorist Financing ('AMLSC') is an internal committee within the European Banking Authority. It was set up in accordance with the requirements outlined in Article 9a of Regulation (EU) 2019/2175 of the European Parliament and Council.

The Committee also includes observers from various organisations, such as the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA), the Supervisory Board of the Single Supervisory Mechanism (ECB), the European Commission (EC), the EEA EFTA countries represented in the EBA Board of Supervisors, and the EFTA Surveillance Authority (EFTA). The MFSA attends and contributes to this Committee as a non-voting member, alongside the FIAU, which acts as Malta's voting representative. Throughout 2024, the function attended all **(4) AMLSC meetings** and directly contributed towards the following documents/items:

Guidelines on reasonable grounds to suspect ML/FT in the context of suitability assessments for the purposes of the Banking Package

EBA work on developments in relation to Binance

'Travel Rule' Guidelines under Regulation (EU) 2023/1113

Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national restrictive measures under Regulation (EU) 2023/1113

AML/CFT related requirements in MiCAR

Extending the scope of the RTS on the criteria for the appointment of AML/CFT central contact points to CASPs

Transitioning to the EU's New AML Framework

One of the major priority areas for the EBA was the work required to facilitate the EU's transition to its new AML framework. To this end, the EBA centralised efforts intended to facilitate this transition by undergoing preliminary stocktaking exercises and formalising subgroups, comprising volunteers from AMLSC member national competent authorities.

Working Group on Supervisory Practices

During 2024, the function contributed towards the drafting of a report providing a factual overview of a stocktaking exercise on supervisory practices of competent authorities in relation to individual ML/FT risk assessment and the AML/CFT data collected for supervisory practices. The aim of this report was to identify divergences and common approaches adopted by EU AML/CFT national competent authorities. The function had previously contributed to the compilation of a questionnaire to this same end and the analysis of collected responses.

Subgroup on Risks

This work entailed the drafting of new regulatory technical standards forming part of the EBA's response to the European Commission's Call for Advice. The EBA's approach for preparing its response consisted of the creation of three working groups consisting of volunteers from national competent authorities alongside EBA staff.

These three working groups were tasked with preparing the following:

- RTS on the assessment and classification of inherent/residual risk profile of obliged entities (risk assessment),
- RTS on the risk assessment for the purpose of selection for direct supervision (selection criteria),
- RTS on Customer Due Diligence (CDD), and
- RTS on pecuniary sanctions, administrative measures and periodic penalty payments (sanctions).

The function volunteered to contribute to the Subgroup tasked with drafting the first RTS on Risk Assessment and RTS on Selection Criteria, while supporting the FIAU, which volunteered to contribute to the remaining Subgroups in the drafting of the RTS on CDD and RTS on Sanctions.

The function's direct contributions regarding the RTSs on Risk Assessment and Selection Criteria included:

- Providing feedback on proposed risk indicators and cross-checking these with locally collated datasets
- Providing feedback on data collection procedures
- Conducting industry outreach

Overall, the function's contributions aimed to ensure that the implementation of the new EU AML package, in this case specifically via the drafting and eventual publication of these new sets of RTSs, remains proportionate and allows for technological neutrality to ensure its practical effectiveness.

EBA AML/CFT Implementation Review

A key component of the EBA's work in preparation for the implementation of AMLA was to conduct AML/CFT implementation reviews on Member State's relevant competent authorities. The MFSA was assessed, alongside the FIAU, for the EBA's review on Malta. Throughout 2024, the function worked to fulfil an action plan devised alongside the MFSA's Internal Audit function based on the recommendations provided by the EBA in its July 2023 report. For context, the EBA's recommended actions related to the following overarching themes:

- Take the steps necessary to clarify the role and responsibilities of the FCC team within the MFSA
- Take the steps necessary to improve the practical cooperation framework with the FIAU
- Ensure that all prudential supervisors are trained adequately to perform their functions in respect of ML/TF risks

Throughout 2024, the function was able to carry out the following enhancements:

- The MFSA further formalised its existing procedures, which include both Departmental and Standard Operating Procedures, to strengthen practical cooperation between MFSA and FIAU.
- Training and staff development was further prioritised through the introduction of a training-needs analysis exercise, a training progress report and subsequent updates to the FCC training plan. Collaboration with the MFSA's FSA and the FIAU remains an ongoing priority.

EuReCA Submissions

Pursuant to the EBA’s legal duty to contribute to preventing the EU’s financial system for ML/FT, Article 9a(1) and (3) of the EBA Regulation confer on the EBA a mandate to establish and maintain a central AML/CFT database (EuReCA). This database is intended to contain information on material AML/CFT weaknesses identified by competent authorities in financial sector operators.

During 2024, the MFSA submitted a total of **11 reports to EuReCA**.

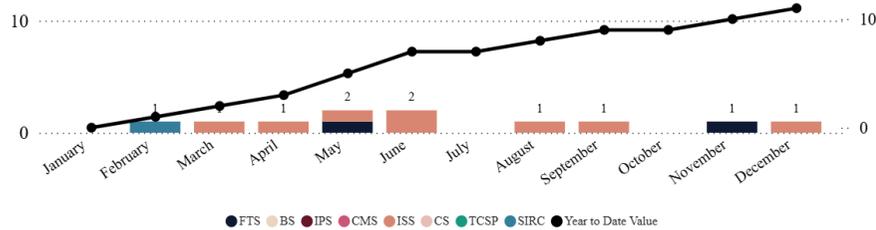


Figure 12: EuReCA Submissions by Sector

The majority of these submissions related to investment firms (45%), 27% relating to professional investment funds, 18% relating to financial institutions, and 9% relating to fund administrators.

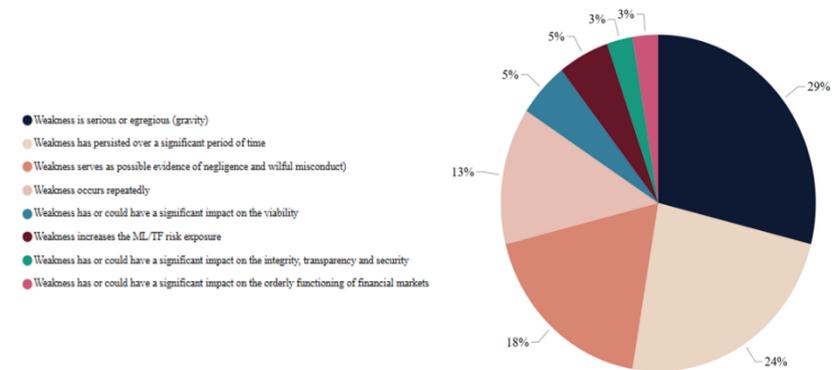


Figure 13: Reason for Materiality

ECB AML Network for Prudential Supervisors

ECB AML network is a working group which specifically focuses on drafting, discussing, and implementing AML/CFT related policies and procedures. The group also focuses on identifying and highlighting any shortcomings noted in current standing policies and procedures, through dissemination of questionnaires, feedback and presentations.

Recently, the network has worked on handing over its AML competence to AMLA, EuReCa submissions and materiality weaknesses, SREP methodologies and implementation, and has also provided an opportunity to all network countries to share shortcomings and AML related projects that are currently being undertaken (such as BaFin – German Financial System).

United Nations Office on Drugs and Crime - GlobE Network

The GlobE Network is a fast-growing global community of anti-corruption practitioners working together to combat cross-border corruption. It connects members directly to support cooperation in investigations and prosecutions.

By promoting international collaboration and sharing resources, the Network helps authorities detect, investigate, and address corruption that extends beyond national borders.

The function attended its first meeting, being the fifth Plenary Meeting of the Network in Beijing. This plenary meeting discussed organisational issues and the denial of safe havens for corruption.

Through its attendance in the Network, **the function engaged in bilateral discussions with various jurisdictions including Chile, India, United Arab Emirates, Mauritius and Algeria** among others. These discussions were primarily motivated to strengthen relations between jurisdictions and to enhance information exchange.

Bilateral Meetings

Engaging with foreign counterparties is essential for the MFSA to effectively oversee increasingly interconnected global financial systems. Cross-border cooperation facilitates information exchange,

coordination in regulatory actions, and a unified response to financial crime related risks. By building strong international relationships, supervisory authorities can enhance transparency, close regulatory gaps, and ensure more robust and consistent supervision across jurisdictions.

The Authority's experience with MONEYVAL/FATF evaluations, the jurisdiction's efforts to exit the FATF's list of jurisdictions under increased monitoring, and the supervision of the Maltese financial sector, place the MFSA in an advantageous position.

Throughout 2024, the function participated in three bilateral engagements with Portugal, Serbia, and Vietnam.



The subject matter discussed considered in these engagements includes:

Malta's strategic plans developed by the Government to address findings in Mutual Evaluation Report

Malta's experience in engagement with FATF assessors in the context of periodic progress reports

Resource planning and allocation for effective supervision of DNFBP sectors

Measures for persuasive and dissuasive sanctions and Malta's experience in sector's upliftment

Malta's experience with regulating crypto assets

Exercises to facilitate Malta's preparedness for the implementation of the EU's new AML/CFT legislative package

Considering AML/CFT in Licensing / Prudential Supervision

Evaluation by the Counter-Terrorism Committee Executive Directorate of the United Nations

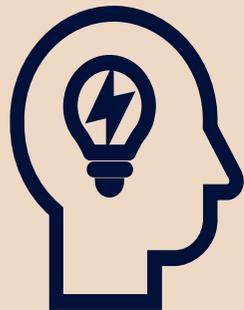
Throughout 2024, the function initiated significant preparatory work for an upcoming CTED evaluation scheduled for March 2025. The purpose of the visit was to assess Malta's implementation of the

2014 recommendations and relevant Security Council resolutions, identify good practices, suggest areas where technical assistance may be beneficial, and explore opportunities for Malta to support other UN Member States. In preparation for this Visit, the function assumed a coordinating role in organising and aligning the MFSA's contributions to the overall national effort.



Risk Assessment: FIAU's CASPAR Block 2

On an annual basis, the MFSA provides vast amounts of information to the FIAU on its Licence Holders that also fall within the PMLFTR's definition of *Subject Persons*. This information is considered within the FIAU's risk assessment system (CASPAR) ultimately providing an entity-level risk score. In 2024, the MFSA provided the following information on 1011 Licence Holders spanning across all of the supervised sectors under the MFSA's mandate.



Type of Information Relayed to FIAU by MFSA

| |
|---|
| Prudential risk assessment scores |
| Types of supervisory interactions conducted on licence holders |
| Identified AML/CFT related issues and concerns related to the integrity of Licence Holder's senior management and significant shareholders |
| The complexity of Licence Holder's legal structure |
| Indications of an aggressive or rapid growth strategy |
| Changes to Licence Holder's customer profiles |
| Indications of high conduct risk |
| Changes in share capital |
| Influence of board members on the Licence Holder's sound management and whether senior management received commissions derived from introduced business |
| Licence Holder's three lines of defence |
| Adequacy of compliance functions |
| Any enforcement actions taken |
| Adverse media on Licence Holder's shareholders and management |

5

Exchange of Information

Effective cooperation and information exchange between financial supervisors, other regulatory bodies, and law enforcement agencies remains fundamental to safeguarding the integrity and stability of the financial system. **Throughout 2024, the function continued to prioritise strong collaboration with both domestic and international partners to enhance our oversight capabilities and address emerging risks.**

| Source of Request for Information | Number of Requests |
|---|--------------------|
| Asset Recovery Bureau | 104 |
| Investigation/Attachment Orders | 26 |
| Police Requests | 23 |
| FIAU Intelligence | 12 |
| FIAU Supervision | 14 |
| Requests from other Supervisory Functions | 127 |
| Legal | 14 |
| Communications | 22 |

When considering police requests, investigation/attachment orders, and FIAU requests, the information being requested was as follows:

Malta Police Force

| Requests relating to: | Number of Requests: |
|------------------------------|---------------------|
| Individuals | 50 |
| Entities | 17 |
| Credit/Financial Institution | 2 |
| Insurance and Pensions | 1 |
| Investments Services | 1 |
| Others | 13 |

Investigations/Attachment Orders

| Requests relating to: | Number of Requests: |
|--|---------------------|
| Individuals | 161 |
| Entities | 63 |
| Insurance and Pensions | 1 |
| Investments Services | 1 |
| Trustees and Company Service Providers | 2 |
| Others | 59 |

FIAU

| Requests relating to: | Number of Requests: |
|-----------------------|---------------------|
| Individuals | 13 |
| Entities | 12 |
| Investments Services | 2 |
| Others | 10 |



6

Guidance and Outreach

Providing guidance and engaging in outreach are critical functions of a financial supervisory authority, particularly in the context of AML/CFT. By issuing clear and practical guidance, the Authority helps ensure that regulated entities understand their obligations and can effectively implement risk-based measures. These efforts also serve to enhance transparency, build trust, and strengthen the overall integrity and resilience of the jurisdiction's financial system. The following are some of the guidance and outreach initiatives that the function conducted throughout 2024:

MFSA Conferences

Regulating Trustees and Company Service Providers

The function organised this MFSA conference focusing on the regulation and supervision of TCSPs. The conference covered the licensing process, the 2023 National Risk Assessment's results, and efforts to combat financial crime within these sectors. The event also addressed the MFSA's role as a supervisory authority and its commitment to enhancing the governance and compliance culture within the financial sector. Specifically, this conference highlighted the importance of collaboration between national competent authorities alongside other topics such as enforcement, public-private partnerships, and international financial sanctions.

This event brought together more than **450 attendees** including industry professionals such as directors, compliance officers, MLROs, legal advisors, risk managers working within TCSPs and the overall financial sector, industry associations, and both domestic and foreign regulatory and supervisory professionals.



Navigating the Reforms in Banking Regulation

The aim of this Conference was to provide the banking industry with an update on recent regulatory developments, enhance transparency regarding the MFSA's supervisory expectations, and encourage proactive preparedness for upcoming regulatory changes. In this context, the Conference addressed key reforms introduced through

the new Banking Package, including requirements related to climate and environmental risks, recent AML regulatory enhancements, and the Digital Operational Resilience Act (DORA). The MFSA also shared insights from its ongoing supervisory workstreams and preparedness exercises, further reinforcing its commitment to effective engagement and regulatory clarity.

The function provided its contributions by participating in a panel discussion explaining the then-upcoming changes to the EU's AML/CFT legislative, regulatory, and institutional framework.

Participation in Industry Events

In addition to MFSA-organised events, the function actively participated in a number of industry-led conferences and roundtable discussions throughout 2024. These included key engagements such as the KPMG Roundtable, the Malta Institute of Accountants (MIA) Conference, and the EuroSIFMANet Public-Private Sector Roundtable. Participation in these events provided valuable opportunities to contribute to sector-wide discussions on financial crime compliance, share insights on supervisory expectations, and strengthen collaboration with both domestic and international stakeholders.

Public Outreach

As part of its public outreach efforts, the function also participated in a local television programme, TVAM. This initiative was organised under the auspices of the MFSA's Financial Education Committee and formed part of the Authority's broader commitment to enhancing public awareness around financial crime risks. The appearance aimed to showcase the MFSA's role and ongoing work in the area of

financial crime compliance, highlighting key initiatives and the importance of safeguarding the integrity of the financial system.

Bilateral Engagements with Domestic and Foreign Counterparts

Throughout 2024, the function continued to strengthen its collaborative efforts with both local and international counterparts. At the local level, the FCC function maintained regular engagement with the Malta Police Force, particularly the Financial Crimes Investigation Department and the Counter Terrorism Unit. These interactions served to enhance information-sharing channels, support coordinated responses to financial crime threats, and build inter-agency relationships. The MFSA also contributed to joint initiatives and discussions aimed at reinforcing Malta's overall anti-financial crime framework.

On the international front, the FCC function engaged with representatives from the U.S. Embassy in Malta as part of its commitment to fostering international cooperation in the fight against financial crime. These interactions provided valuable opportunities to exchange insights on emerging risks, regulatory developments, and best practices in supervision and enforcement.

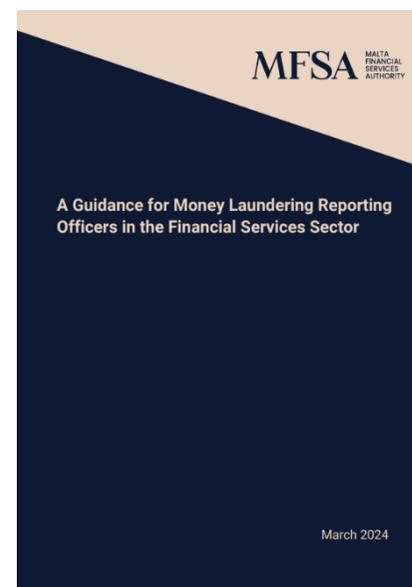
Internal Circulations

As part of its internal awareness and knowledge-sharing efforts, the function publishes quarterly Financial Crime Bulletins. These bulletins provide MFSA staff with updates on key regulatory developments, as well as high-level financial crime cases and investigations that have come to public attention during the

preceding quarter. In 2024, the FCC Function issued four such internal bulletins, supporting ongoing staff engagement with emerging risks and trends while reinforcing a culture of vigilance and informed supervision across the Authority.

Publishing Guidance

In 2024, the function published two key guidance documents aimed at enhancing the understanding and effectiveness of Money Laundering Reporting Officers (MLROs) within its supervised sectors. The first publication, “Guidance for MLROs in the Financial Services Sector”, provided practical direction on the role and responsibilities of MLROs, outlining expectations related to governance, oversight of AML/CFT frameworks, and the effective handling of suspicious activity reporting. The second document, a “Dear CEO” letter addressed to Company Service Providers (CSPs) that operate as legal entities, focused on the requirement for MLROs to demonstrate effective independence and autonomy in the exercise of their duties. It highlighted concerns around potential conflicts of interest and reminded CSPs of their obligation to ensure that MLROs are sufficiently empowered and resourced to carry out their role in line with legal and regulatory expectations. These publications formed part of the FCC function’s broader efforts to promote a strong culture of compliance and support consistent supervisory outcomes across the sector.



7

Internal and External Training



The MFSA plays a key role in promoting stability in the financial sector by providing clear and consistent guidance through events and publications. This support helps institutions comply with regulations, manage risks, and maintain public confidence. The Authority also places strong emphasis on training its staff to ensure they remain informed on emerging issues and are well-equipped to uphold and enforce regulatory standards effectively.

The Financial Supervisors Academy

The Financial Supervisors Academy (FSA), established as part of the MFSA Vision 2021 and Strategic Plan 2019–2021, supports the Authority’s ongoing investment in staff development by equipping financial supervisors with the skills, technical knowledge, and professionalism needed to address today’s regulatory challenges.

All internal training delivered by the Financial Crime Compliance (FCC) function is organised in collaboration with the Academy, ensuring alignment with the Authority’s strategic learning goals. Moreover, all recurring and annual training initiatives are integrated into the Academy’s annual curriculum, promoting consistency, quality, and long-term capacity-building across the organisation. The FSA also extends many of its programmes to other regulators, policymakers, and academics, fostering broader knowledge-sharing and supervisory convergence.



Training and Outreach Plan

The function implemented a training and outreach plan for 2024 at the beginning of the year. This plan consisted of both internal and external initiatives, covering information/technical sessions, external outreach events, and the publication of guidance documents.

These initiatives included several lectures delivered in collaboration with the University of Malta, workshops in collaboration with the National Coordinating Committee for AML/CFT and the FIAU, training sessions with MFSA staff, and contributions to a Diploma programme administered by the MFSA and the University of Malta.

In more detail, the information and technical sessions provided by the function to other MFSA functions included:

| Topic | Number of Attendees |
|--|---------------------|
| MFSA’s Contribution to FIAU’s Risk Assessment (CASPAR) | 85 |
| AML/CFT in Supervision Workshop (Fintech) | 11 |
| AML/CFT in Supervision Workshop (Banking) | 19 |
| Red Flagging and Suspicious Transaction Reporting | 72 |
| AML/CFT in Supervision Workshop (Insurance and Pensions) | 26 |
| AML/CFT in Supervision Workshop (TCSPs) | 13 |
| FCC within the Authorisations Processes (General) | 59 |

External Training

Participation in academic lectures and educational initiatives is an important aspect of the function's training plan. Engaging with students and academic institutions allows the function to raise awareness about financial crime risks, promote a better understanding of the regulatory framework, and highlight the MFSA's role in safeguarding the integrity of the financial system. These initiatives also serve to bridge the gap between theory and practice, encouraging future professionals to consider careers in financial supervision and compliance, while reinforcing the Authority's commitment to education, collaboration, and long-term capacity-building within the industry.

In 2024, the function actively contributed to a range of educational activities, delivering **four lectures organised by external parties**, and collaborating with the FIAU to organise and provide **two joint workshops**. Additionally, the function accepted an invitation to deliver a **lecture at the University of Malta (UOM)**, contributed to a **workshop organised by the National Coordinating Committee (NCC)**, and provided **three lectures as part of the MFSA/UOM-administered Diploma in Financial Regulation and Compliance**. These engagements further demonstrate the MFSA's dedication to fostering knowledge and supporting professional development within the wider financial ecosystem.



Malta Financial Services Authority

Triq L-Imdina, Zone 1

Central Business District, Birkirkara, CBD 1010, Malta

communications@mfsa.mt

www.mfsa.mt