

2025

Financial Crime Compliance Annual Update

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Introduction

This Annual Update outlines the key achievements, strategic initiatives, and collaborative efforts of the Financial Crime Compliance Function within the Malta Financial Services Authority (MFSA) during 2025. It also reflects on evolving regulatory developments and describes the enhancements introduced to the Function's supervisory approach, supporting financial institutions under the MFSA's remit in remaining resilient, compliant, and accountable. The statistics included in this Update are sourced from the Function's Management Information Dashboard, which captures and maintains management information across the Function's various areas of work.



The Function

The Financial Crime Compliance Function (FCC, or “the Function”) is dedicated to strengthening the Malta Financial Services Authority’s (MFSA, or “the Authority”) efforts to ensure that Authorised Persons are not used for, involved in, or otherwise facilitate money laundering, terrorist financing, or other forms of financial crime. The Function provides support to the Authority’s other Supervisory Functions across all sector-specific areas. It also collaborates closely with the Financial Intelligence Analysis Unit, as the National AML/CFT Supervisor and the Sanctions Monitoring Board, as the authority responsible for the monitoring of Sanctions Implementation, in terms of the applicable laws and under a bilateral Memorandum of Understanding and engages with other national and international stakeholders as necessary.

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MFSA AML/CFT Coordination Committee

AML/CFT Coordination Committee

Established in 2020, the Prevention of ML/FT Committee serves as a consultative forum to support alignment and coordination on AML compliance inspections and related processes. In line with its charter, the Committee reports on its activities to the Executive Committee on a semi-annual basis. Its membership, as set out in the charter, is listed below.

Members

Prof Christopher P. Buttigieg	Chief Officer, Supervision	Chairman
Dr Michael Xuereb	Chief Strategy, Policy and Innovation	Deputy Chairman
Mr Paul Caruana	Head, Due Diligence	Member
Ms Margherita Privitera	Head, Risk Management	Member
Mr Matthew Scicluna	Head, Financial Crime Compliance	Member
Mr Stephen Galea	Money Laundering Reporting Officer	Member



Two of the Function's Officials held the position as Committee Secretary and Co-Secretary, both tasked with coordinating and facilitating the Committee's meetings in accordance with its Charter. The Committee met four times (20 January; 16 June; 29 September; 12 December) during 2025. The Committee had one instance where an item was processed through written procedure on 28th August. This item related to the submission of the completed AML/CFT Activity Update for the Committee's information. A draft version of this document was discussed during the meeting on 16th June. Overall, the Function contributed to all Committee meetings by providing updates and discussing the following:

Preparatory work in relation to MONEYVAL/FATF Evaluation
Evaluations by other international organisations
Specific AML/CFT supervisory examinations
National Risk Assessment Working Groups coordinated by the NCC
National AML/CFT/TFS/PF Strategy
AMLA Working Groups that the MFSA contributes towards
Updates to the MFSA's AML/CFT Strategy
Updates from the MFSA's Money Laundering Reporting Officer
Bilateral initiatives with foreign counterparties
EBA publications related to AML/CFT
TUBOR/BORIS related updates
EuReCA related updates

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Direct AML/CFT Supervision

Cooperation with the FIAU

The MFSA is a key stakeholder in the delivery of AML/CFT supervision as an agent of the FIAU in terms of Article 27(3)(b) of the PMLA. The Function undertakes AML/CFT compliance engagements on MFSA licence holders either on the FIAU's behalf or jointly with the FIAU, in accordance with the FIAU's risk-based supervisory methodology and annual supervisory plan, the results of which are then transmitted to the FIAU for further action. A similarly collaborative approach is applied with the Sanctions Monitoring Board (SMB) for the supervision of sanctions compliance. This cooperation is underpinned by two different Memoranda of Understanding, the first one being between the MFSA and the FIAU and the second one between the MFSA, the FIAU, the MGA and the SMB, which enables information sharing, encourages consistent supervisory practices, and supports the effective implementation of Malta's AML/CFT and Sanctions frameworks. Collectively, these coordinated efforts help protect the integrity of the financial system and reinforce Malta's national response to financial crime.

AML/CFT Delegated Examinations

In 2025, the Function carried out **24 FIAU delegated supervisory engagements** as set out in the FIAU supervisory plan. These supervisory interactions consisted of full scope, focused (targeted) and thematic engagements, covering different areas of financial services, with a predominant focus on Investment Service Providers and Company Service Providers (CSPs), covering various aspects of

Customer Risk Assessment, Customer Profiling and the Scrutiny of Transactions

Money Remittance (including elements related to terrorist financing)

CDD measures applied in instances where registered office service is provided in isolation

Risk assessing higher-risk customers and implementing effective CDD measures

AML/CFT compliance measures which have been identified by the FIAU as priorities.

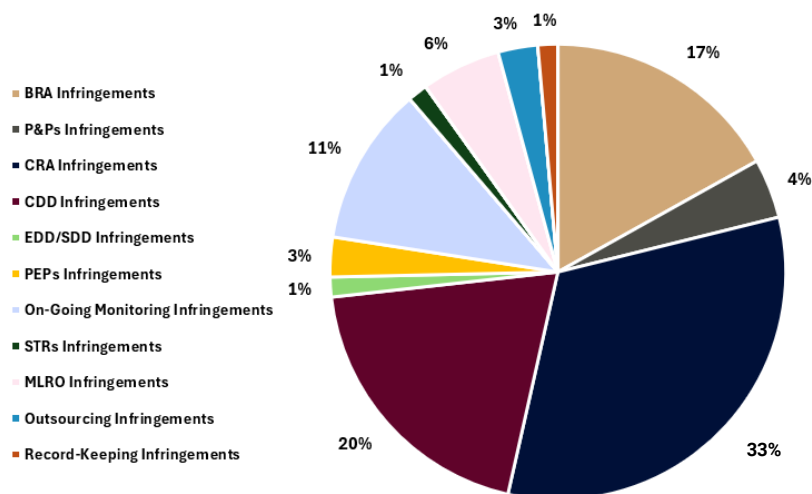


Figure 1: Percentages of Potentially Categorised Findings

The pie chart illustrates the distribution of the potential AML/CFT-related breaches identified during supervisory visits carried out by the Function on behalf of the FIAU (between July 2025 and June 2025)¹.

The highest proportion of potential breaches (33%) was related to **Customer Risk Assessment**. This was followed by **Customer Due Diligence** (20%) and **Business Risk Assessment** issues (17%). **Ongoing Monitoring** (11%) and **MLRO issues** (6%) also represented notable areas of concern. Other potential breaches included deficiencies in **Policies and Procedures** (4%) and **Record Keeping**

¹ The potential infringements outlined in Figure 1 remain subject to review by the FIAU at a subsequent stage of the examination process (i.e. during the Supervisory Committee or Compliance Monitoring Committee phase). Additionally, these potential infringements are reported based on each identified potential shortcoming rather than on a per-file basis.

(1%), which are both essential for maintaining compliance and demonstrating accountability. These findings underscore the need for continued efforts to strengthen AML/CFT controls across key functional areas. These outlined potential infringements remain subject to determination by the FIAU Supervisory Committee’s and/or Compliance Monitoring Committee’s determination.

Attendance to FIAU Supervisory Committees

In 2025, the Function attended **15 FIAU Supervisory Committee Meetings**, across 26 sittings. This FIAU Supervisory Committee is responsible for determining the outcome/s of AML/CFT compliance examinations.

FIAU and SMB Reports

In 2025, the Function issued a total of **28 reports**. Of these, 23 were issued outlining findings identified during AML/CFT examinations carried out on behalf of the FIAU, while the remaining 5 were letters addressed to the SMB outlining TFS-related findings.

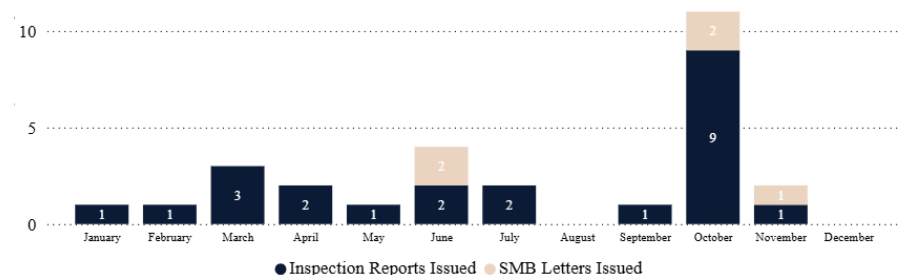


Figure 2: Inspection Report and SMB Letters

In addition to the reports issued throughout 2025, the Function also worked on 6 reports² (closure or remediation cases), which were sent to the FIAU for review prior to issuance to the respective Licence Holders.

Internal Memos raised to MFSA Functions

The Function adopts a proactive approach when it comes to the identification of potential significant shortcomings of a prudential nature during AML/CFT supervisory examinations.

In 2025, a total of **2 Memos** were raised by FCC to Prudential Supervisory Functions. In view of the significant concerns noted, FCC deemed it necessary to disclose the preliminary observations immediately, for potential prudential action by the respective supervisory function. Instances where memos raised by FCC in 2025 prompted follow-up engagement led by the relevant Supervisory Function.

Suspicious Activity/Transaction Reporting

A total of **39 internal SAR/STRs were escalated to the MFSA’s MLRO in 2025**, following the identification of suspicious activity during AML/CFT supervisory examinations.

The main reasons for suspicion related to unexplained wealth, potential money laundering, tax fraud/evasion, sanctions, and fraud

(financial fraud). Figure 3 provides the total number of STR/SARs submitted in relation to these respective categories.

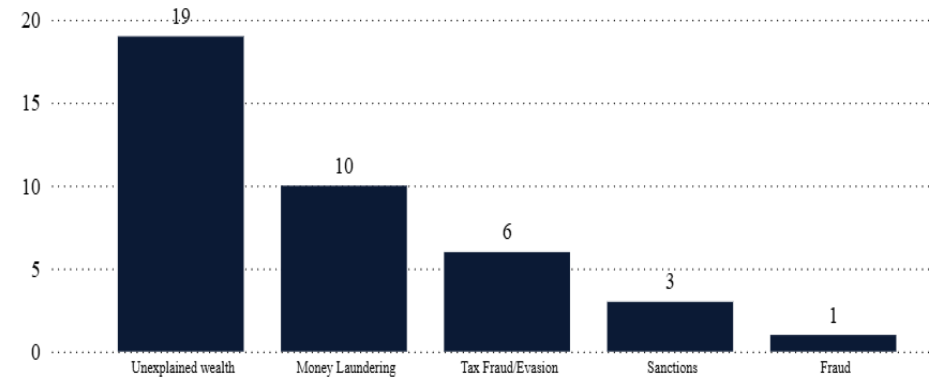


Figure 1: Reasons for Suspicious

CSPs, Financial Institutions and Investment firms were the top three types of licence holders that featured in the STR/SARs raised on their respective customer base under review during 2025, as illustrated in Figure 4 below.

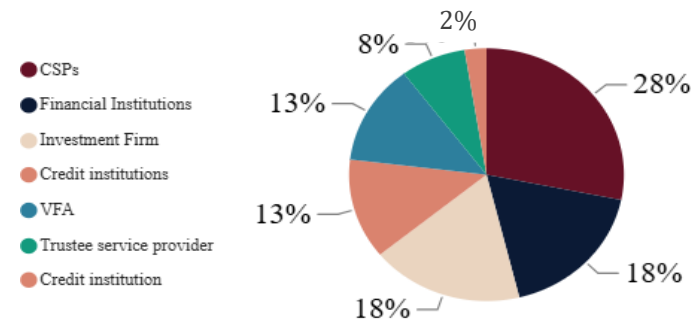


Figure 2: Sectors linked with Submitted STRs

² These reports were drafted by the FCC Function in 2025; however these reports were not issued to the respective Subject Persons during the same year.

Cooperation with the Sanctions Monitoring Board

The Function actively cooperates and supports the SMB by assisting in the monitoring of the Licence Holder's compliance with the obligations stemming from the National Interest (Enabling Powers) Act (NIA), during AML/CFT Compliance Examinations. During these interactions, the Function scrutinises the Licence Holders' adherence to sanctions screening obligations as per Article 32 of the National Interest (Enabling Powers) Act (Ch.653 of the Laws of Malta), by either (i) reviewing the Licence Holders' sanctions screening policies and testing controls implemented; and/or (ii) obtaining the Policies and Procedures together with a declaration on behalf of the SMB.

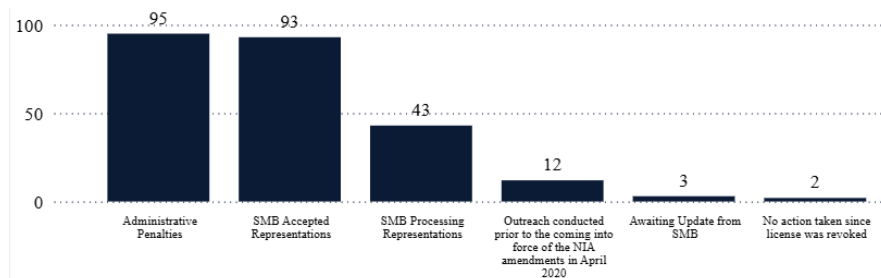


Figure 5: SMB Reports Statuses

To this end, in 2025, the Function **shared 11 items of information³** on Licence Holders' adherence to sanctions screening obligations with the SMB. Since the establishment of the MOU between the MFSA and the SMB, the Function issued a total of **248 SMB Reports** as at end of December 2025, of which 43 cases were, at the time of writing this

³ This amount includes **5 Letters to the SMB** (FIAU Delegated Examination), **1 Letter to the SMB** (Ad-hoc Function Led Examination) and **5 Supervision Checklists**, collected in relation to an FIAU delegated thematic engagement).

report, being reviewed by the SMB as the authority responsible for Sanctions implementation in Malta.

In addition to the above-mentioned engagements, the Function, in collaboration with the Fintech Supervision Function and other support functions, **initiated 2 compliance inspections with a sanctions element on licenced CASPs** in 2025. 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 examination - related outcomes provide valuable insights into the effectiveness of a Licence Holder'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 prudential/conduct supervision – in line with the FIAU's supervisory strategy; ensure better coordination 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 FIAU AML/CFT compliance examinations, for related outcome letters issued during 2025 (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.

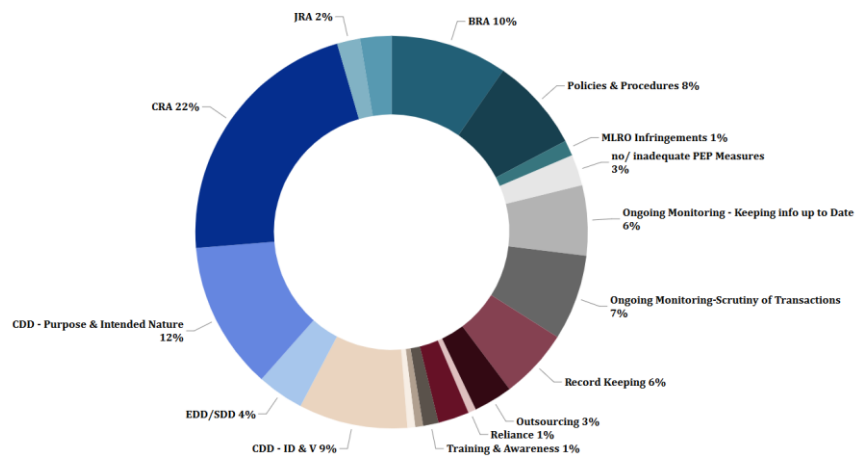


Figure 6: Percentages of AML/CFT related Outcomes

Intelligence Reports

In 2025, a total of **29 spontaneous intelligence reports** were received from the FIAU and scrutinised by the Function. 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.

3

Advisory

Contributing to the Licensing Process

The MFSA fulfils a crucial role as a gatekeeper to Malta’s and as a Member State, to the overall European financial 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 applicant’s 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, ensuring Authorised Entities’ long-term sustainability.

The Function’s contributions – together with FIAU’s contribution in certain sectors – to the MFSA’s licensing processes have mainly consisted of licence application (including, *inter alia* policies & procedures and risk assessments) reviews from an anti-financial crime perspective, assessing MLRO applications, contributing to tri-partite meetings and assisting other Supervisory Functions by attending to regular queries.

Throughout 2025, the Function contributed to reviews on **113 new licence applications**.

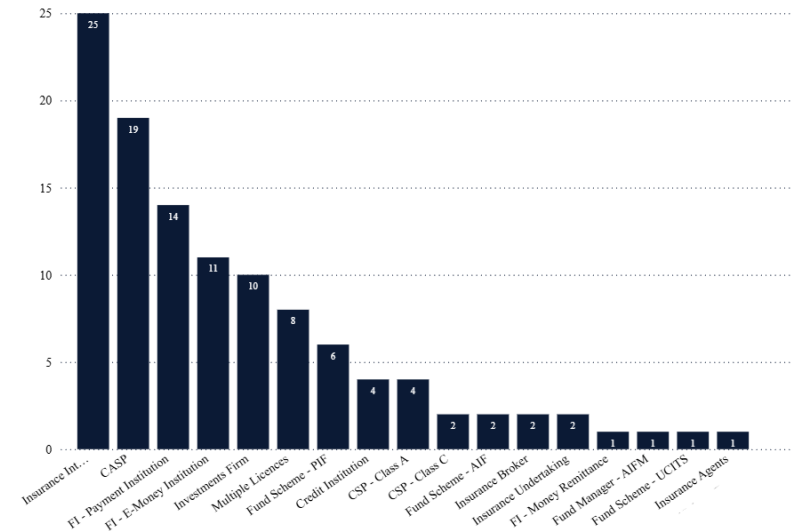


Figure 7: Application Review Totals per Licence

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

MLRO (proposed person) related issues
Due diligence procedures inconsistent with legislative/regulatory expectations
Inadequate Business Risk Assessment Methodology
Inadequate AML/CFT Policies and Procedures
Inconsistency between the Customer Acceptance Policy and the Risk Appetite

Moreover, in 2025, the Function received **84 applications for proposed MLROs across all sectors**. The Function conducted **80 MLRO interviews** to assess the candidates' suitability and ability to meet the expectations of the role. Of these, 49 of these interviews were conducted in collaboration with FIAU in its capacity as an AML/CFT supervisor.

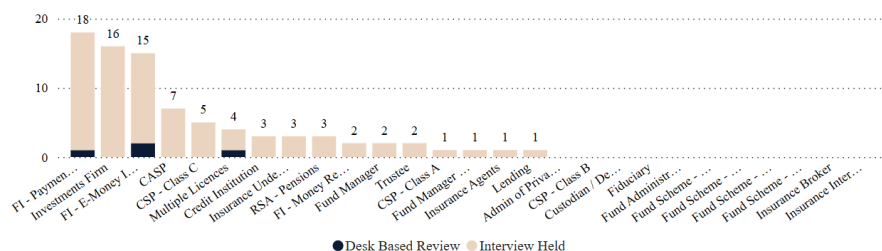


Figure 8: Interview vs Desk Based proposed MLRO Assessments

The top 5 most frequently identified issues from these included:

Lack of Time Allocated to the role due to Multiple involvements across various entities
Proposed Person not exhibiting sufficient knowledge of potential red-flags/suspicious activity
Insufficient training and educational background
Proposed Person exhibiting lack of basic AML/CFT knowledge
Proposed Person exhibiting lack of knowledge on MLRO obligations

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.

No additional actions to be taken (following clarifications provided) ,

Request further information on certain grey-areas identified,

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

Recommend further training to the MLRO on AML/CFT-related obligations and MLRO knowledge.

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 2025, the Function received and reviewed a total of **33 MLRO interview questionnaires** from all supervisory functions within the MFSA.

The most common MLRO issues noted throughout the questionnaires included:

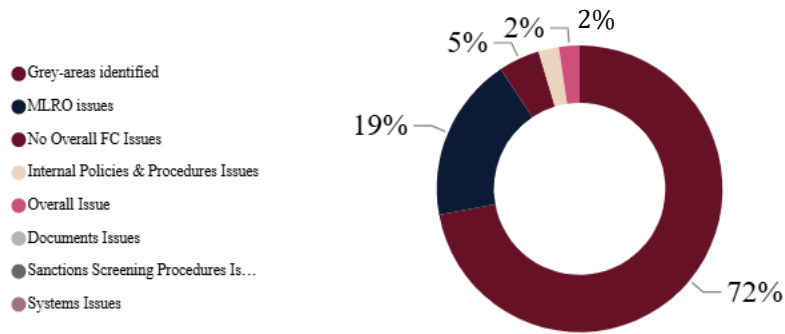


Figure 9: MLRO issues by Category

As illustrated in the figure below, the most common outcomes include requests for the submission of additional documentation as well as follow-up queries seeking clarification on areas that were not sufficiently explained during the interviews.

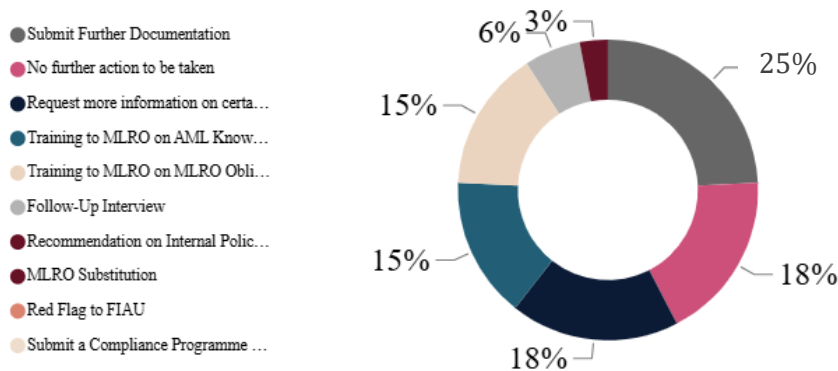


Figure 10: Percentage of Outcomes per Category

Prudential and Post-Authorisation Engagements

The Function also conducts prudential and post-authorisation engagements upon request by the respective supervisory functions. These engagements, besides being aligned with the FIAU's supervisory strategy, entail the direct participation of the Function's Officials during supervisory interactions.

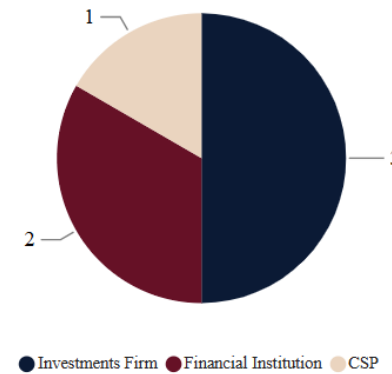


Figure 11: Engagements by Licence Type

The initial reasons that led the Function to engage with supervisory functions within a given supervisory interaction may vary greatly. However, throughout 2025, these underlying reasons were commonly related to governance or AML/CFT related issues being flagged by the respective supervisory functions; underlying issues related to incumbent MLROs being identified through the course of supervisory interactions; the scrutiny of specific measures within the

control framework; and licence holders undergoing substantial capital injections or increases to their share capital.

During 2025, the Function participated in **6 supervisory engagements** where other functions encountered governance weaknesses and potential concerns. For 2025, all these engagements were driven via supervisory interactions rather than emanating from post-authorisation conditions.

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 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 2025, the **Function received 12 red flag reports** from the various supervisory functions, 78% of which were forwarded to the FIAU’s Risk Team to be considered in the AML/CFT Risk Assessment process.

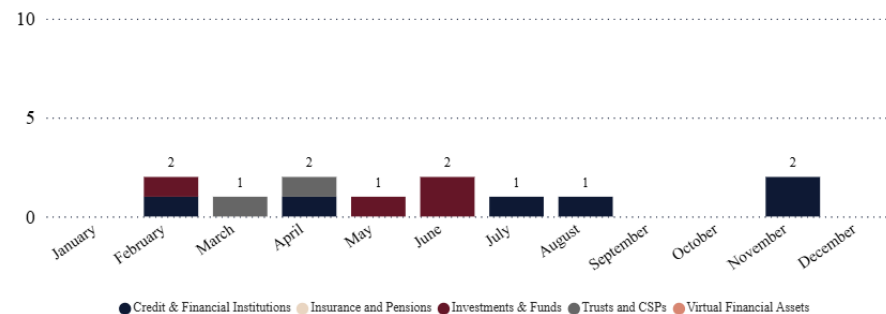


Figure 12: Red Flag Reports by Sector

Figure 13 demonstrates that upon the Function’s review of the submitted material, the majority of cases were ultimately forwarded to the FIAU for its consideration.

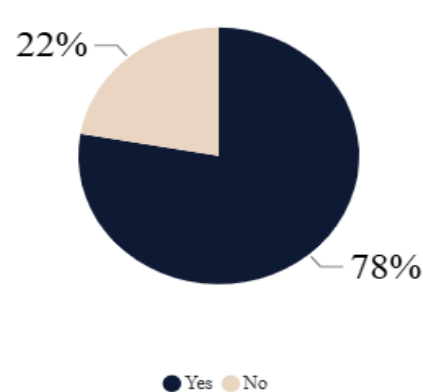


Figure 13: Red Flag Reports Submitted to FIAU

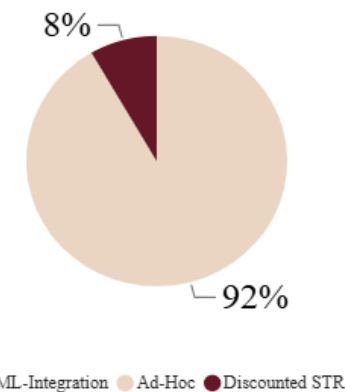


Figure 14: Sources of Red Flag Reports

For context, the majority of these cases emanated from the Authority’s main supervisory initiatives, represented in Figure 14 as ‘Ad Hoc’ and 8% of red flag reports were triggered from discounted suspicious transaction 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, and the MLRO unable to exercise sufficient power and authority.
Major ICT Related Incident, and Hacking of Director’s account
Breaches in the respective Acts, failure to notify the MFSA of change in shareholding
Adverse media identified by the Licence Holder which was shared to the Authority.

Thematic Reviews

Thematic reviews on specific AML/CFT practices and sub-sectors significantly featured within the Function’s supervisory efforts in 2025. The Function conducted the following **two separate exercises** which were also aligned with the FIAU’s supervisory strategy:

FT and sanctions evasion risks in CASPs and Financial Institutions

Acknowledging the rapidly evolving geopolitical landscape and the increasing complexity of sanctions regimes, the MFSA carried out a thematic exercise on Crypto Asset Service Providers and Financial Institutions to assess the measures and controls applied in relation

to countering the financing of terrorism, financing of proliferation and targeted financial sanctions. Subsequent to the conclusion of the collation, review and analysis of data, the MFSA issued a Dear CEO Letter in March 2025. The Guidance outlined the key observations which were observed and the Authority’s supervisory expectations. While recognising a number of positive practices within the industry, the MFSA urged Authorised Entities to adopt stronger measures including:

- Continuously providing staff with adequate training to detect and prevent TF and sanctions circumvention
- Incorporating Malta’s latest National Risk Assessment findings into their internal risk assessments
- Evaluating their exposure to sanctions risk comprehensively
- Independently reviewing third-party systems to confirm their adequacy
- Clearly defining applicable sanctions lists within policies and procedures; and
- Leveraging advanced technology to ensure that control complexity is aligned with the nature of services provided.

FT, PF and sanctions evasion risks in Credit Institutions

Malta’s National Risk Assessment identifies the Banking sector as one of the most exposed sectors to Terrorism Financing, Proliferation Financing and Targeted Financial Sanctions risks, as it plays a central role in the movement of funds. Furthermore, the FATF’s Comprehensive Update on Terrorist Financing Risks highlights that while declining, traditional financial services are still

being used by terrorist groups for their financing activities. Similarly, the FATF's Complex Proliferation Financing and Sanctions Evasion Schemes report highlights the way in which illicit actors are employing sophisticated schemes to evade sanctions and circumvent controls to prevent Proliferation Financing. These observations, taken together with Malta's national risk context, underscore the importance of ensuring that credit institutions maintain robust and adaptive control frameworks while also responding to emerging new technologies. In view of this a second iteration of the Thematic Exercise was rolled out specifically targeting Maltese licensed Credit Institutions.

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Policy and Risk

Given its cross-cutting remit, a significant part of the Function's contribution relates to policy work and the coordination of risk assessment activities. For the purposes of this Update, "Policy" is used as an umbrella term covering the Function's participation in international, European, and domestic committees, working groups, and networks, as well as its bilateral engagements with counterpart authorities. Similarly, "Risk" refers to the Function's role in coordinating workflows linked to the FIAU, the EBA, and other relevant internal committees.

NCC-Related Workstreams

Throughout 2025, 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 provides an overview of these efforts:

- Contributing to national ongoing efforts to prepare for the next round of FATF/MONEYVAL evaluations, including through the MFSA's participation preparatory sessions for all MFSA-related Immediate Outcomes, collation of Effectiveness and Materiality statistical data and specific case studies.
- Cooperating and contributing to the updating of the Maltese National Risk Assessment (2025/2026) on Money Laundering, Terrorist and Proliferation Financing and Targeted Financial Sanctions alongside other public sector authorities. This included participating in specific cross-sectoral (for example, ML

threats and ML vulnerabilities) and financial sector working groups. Data was also provided within stipulated deadlines as and when required.

- Fulfilment of new applicable action points related to ML/FT/TFS/PF stemming from a newly updated National Strategy. Updates on status of their implementation were also provided to NCC on a periodic basis.
- Participating and contributing to discussions held in three separate sub-committees on legislative amendments, on the coordination of international participation on topics related to AML/CFT/CPF and on the coordination of AML/CFT/TFS Training Initiatives.

Contributing to the EU's Implementation of its New AML Framework

2025 was a pivotal year for the European AML/CFT regulation and supervision. EBA working groups that initiated their work during 2024 saw their work continue throughout the first and second quarters of 2025 and ultimately finalise during the third. At the same time, (the EU) Anti-Money Laundering Authority's (AMLA) infrastructure materialised during the second half of 2025. As such, 2025 saw the completion of work emanating from the EBA's AML/CFT mandate while also experiencing an uptake of work initiated and coordinated by AMLA.

Throughout 2025, the Function attended all (5) **EBA's AML Standing Committee meetings** and directly contributed towards the following documents/items:

Guidelines on the Implementation of Union and National Restrictive Measures

Regulatory Technical Standards on CDD

Draft Regulatory Technical Standards on ML/FT Risks

Draft Regulatory Technical Standards on Sanctions

Draft Regulatory Technical Standards on Article 12(7) (a) and (b)

Opinion on ML/FT Risks

Transitioning to the EU's New AML Framework

During 2025, a significant shift was observed in the European Union's approach to AML. This transition was marked by the conclusion of work led by the EBA to support the EU's move towards its new AML framework, alongside the commencement of operations of AMLA in July 2025. These developments represent key milestones in the evolution of the EU's supervisory and regulatory architecture for AML.

EBA Working Groups

To prepare its response, the EBA established three dedicated working groups composed of representatives from national competent authorities and EBA staff. The role of these working groups primarily involved the drafting of new Regulatory Technical Standards (RTS) forming part of the EBA's response to the European Commission's Call for Advice.

These working groups were mandated to develop the following RTS:

- 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)
- RTS on pecuniary sanctions, administrative measures and periodic penalty payments (sanctions)

Throughout 2025, the Function continued to actively contribute to the EBA Sub-Group on Risk through contribution on the drafting of the RTS on Risk Assessment and the RTS on Selection Criteria. During the same year, the Function successfully concluded its contributions to the relevant working groups. The EBA subsequently published its consolidated response to the European Commission’s Call for Advice in October 2025.

In parallel, the Function supported the FIAU, which contributed to the remaining Sub-Groups tasked with drafting the RTS on CDD and the RTS on Sanctions.

AMLA Working Groups

During 2025, the Function also supported the FIAU through its participation as alternate members in the working groups established by AMLA. The Function’s contributions focused primarily on the following areas:

- AMLA working group on Risks
 - Development of guidelines pursuant to Article 10(4) of the Anti-Money Laundering Regulation (AMLR) concerning Business Wide Risk Assessment.
 - Development of guidelines under Article 20(3) of the AMLR on risk variables and risk factors; and
 - Drafting of RTS on Article 19(9) under the AMLR establishing the criteria for identifying business relationships, occasional and linked transactions and lower thresholds.

- AMLA working group on Cooperation
 - Drafting of an Implementing technical Standard (ITS) Cooperation within the AML/CFT supervisory system for the purposes of direct supervision in terms of Article 15 (3) of Regulation (EU) 2024/1620[1] (“AMLAR”); and
 - Drafting of a RTS on the Duties of the home and host supervisors, and the modalities of cooperation between them - Article 46 (4) of Directive (EU) 2024/1640[2] (“AMLD”).

Through its participation in these working groups, the Function contributed to the development of key regulatory instruments underpinning the EU’s new AML supervisory framework and supported the FIAU’s engagements at European level.

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

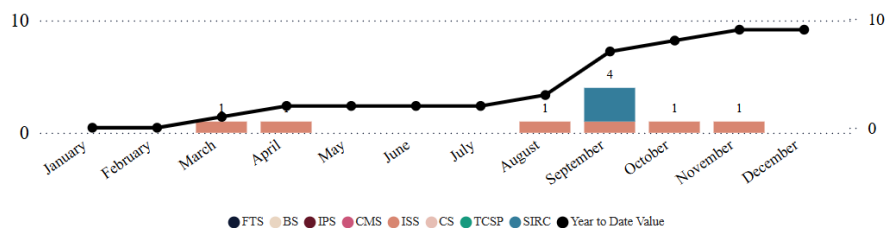


Figure 15: EuReCA Submissions by Sector

During 2025, the MFSA submitted a total of **9 reports** of material weaknesses identified during Prudential supervisory activity to EuReCA.



Figure 16: Reason for Materiality

ECB AML Network for Prudential Supervisors

The ECB AML Network is a working group dedicated to the development, discussion, and implementation of AML/CFT-related policies and procedures. It also helps identify and flag gaps in existing frameworks, including through the circulation of questionnaires, the collection of feedback, and the delivery of presentations.

In recent months, the Network has focused on matters such as the transition of AML responsibilities to AMLA, EuReCa submissions and the treatment of material weaknesses, as well as SREP methodologies and their implementation. It has also provided a

forum for participating jurisdictions to share identified shortcomings and discuss ongoing AML-related initiatives, including projects underway within BaFin in relation to the German financial system.

IOSCO AML Network

FCC attended and participated in initiatives coordinated by the IOSCO AML Network throughout 2025. The Network operates as a forum for the exchange of ideas, experiences and to discuss AML, CFT and CPF issues with a focus on enforcement. The Network was created in view of the overlap between AML/CFT/CPF issues and issues concerning the supervision of regulated entities, the conduct of due diligence and the assessment by regulators of the risk management processes of their regulated entities.

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, places the MFSA, and particularly the Function in an advantageous position.

Throughout 2025, the Function conducted four bilateral engagements with Cyprus, Bulgaria and China, whilst also assisting the Council of Europe in the mentorship programme PECK III focusing on the Republic of Kosovo. The subject matter discussed considered in these engagements included:

Overview of Malta's National Risk Assessment, including the methodology, key findings and implications

MFSA's Supervisory Strategy, including priorities, methodology, implementation and impact

Malta's AML/CFT Setup, including MFSA's approach

Malta's efforts to support and collaborate with other jurisdictions on AML/CFT matters and its footprint within supranational bodies

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

In fulfilment of its mandate, CTED conducts country visits to assess Member States' counter-terrorism efforts, including progress made, remaining shortfalls, and priority areas for technical assistance needs. The visit's aim is to also identify terrorism-related trends, challenges and good practices employed in the implementation of relevant Security Council resolutions.

Malta's first review was in 2014, with the most recent review being carried out in March 2025. The MFSA's involvement in the review was primarily focused on the following: i) Measures to detect and prevent the use of money service businesses or informal financial networks; ii) cash-couriers; and iii) emerging payment and fundraising methods (e.g. prepaid cards, mobile wallets or virtual assets, crowdfunding, etc.) for terrorism financing;



As per the Draft Report received in August 2025, reviewers acknowledged the MFSA's efforts in this area, encouraging the MFSA to continue strengthening its efforts in this area.

Risk Assessment: MFSA's Prudential input in FIAU's Risk Assessment

During 2025, the MFSA provided the FIAU with extensive supervisory information on authorised entities that also qualify as "subject persons" under the PMLFTR and the FIAU's Implementing Procedures (Part I). This information supported the FIAU's risk assessment process and covered several key thematic areas.

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Exchange of Information

Effective cooperation and information exchange between financial supervisors, other regulatory bodies, and law enforcement agencies remain fundamental to safeguarding the integrity and stability of the financial system. **Throughout 2025, the Function continued to prioritise strong collaboration with both domestic and international partners to enhance its oversight capabilities and address emerging risks.**

Source of Request for Information	Total number of Requests
Asset Recovery Bureau	150
Investigation/Attachment Orders	27
Police Requests	23
FIAU Intelligence	14
FIAU Supervision	25
Requests from other Supervisory Functions	129
Legal	9
Communications	6

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

Malta Police Force

Requests relating to:	Number of Requests:
Individuals	71
Entities	41
Others	1

Investigations/Attachment Orders

Requests relating to:	Number of:
Individuals	54
Entities	38

FIAU

Requests relating to:	Number of:
Individuals	15
Entities	32



6

Guidance and Outreach

Providing guidance and engaging in outreach are core responsibilities of a financial supervisory authority, particularly in the AML/CFT sphere. By issuing clear, practical guidance, the Authority helps regulated entities understand their obligations and implement effective risk-based controls. These efforts also promote transparency, build trust, and reinforce the integrity and resilience of the jurisdiction's financial system. The Function carried out a range of guidance and outreach initiatives throughout 2025. This section provides an account of all these efforts.

MFSA Conferences (including other authorities)

- **Regulating the Future - MFSA - LUISS Conference**

This conference was a collaborative initiative between the Authority and Luiss Guido Carli University. The Function contributed by providing a presentation on the background and contents of the new EU AML Package and the framework established through its implementation.

- **Company Service Providers: Enhancing the Framework, a Proportionate Approach**

This workshop came ahead of implementing the MFSA's proposed enhancements to the CSP regulatory framework applicable to individuals who provide directorship and/or company secretary services to companies, or who held equivalent positions in other legal entities, while falling within specific criteria established by the Authority. The Function contributed to a panel discussion during this event.

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 2025. These included the following:

- **Malta Stock Exchange: Governance Risk and Compliance and ESG Summit 2025**

The Function contributed to this event by participating in a panel discussion. The Function provided its insights into the Authority's observations and supervisory expectations related to the implementation of new technologies within authorised entities' AML/CFT control frameworks. The discussion also included the MFSA's work in relation to the implementation of the new EU AML Package.

- **ACAMS Malta Chapter November 2025 Virtual Event: From Directive to Regulation: AMLA, AMLR and AMLD6 - Key Changes and Compliance Challenges**

The Function contributed to a panel discussion at this event by providing insight into the preparatory work that the Authority is implementing ahead of the EU's implementation of its new AML framework.

- **AMLF - 19th Annual European AML/CTF & Financial Crime Conference A Global Outlook**

The Function participated in a panel discussion as part of this event. This panel discussion discussed issues related to shell companies within the context of AML/CFT.

Internal Circulations

As part of its internal awareness and knowledge-sharing efforts, the Function issued quarterly Financial Crime Bulletins. These bulletins kept MFSA staff informed of key regulatory developments and highlighted high-level financial crime cases and investigations that came to public attention during the preceding quarter. In 2025, the Function published four internal bulletins, supporting staff engagement with emerging risks and trends and reinforcing a culture of vigilance and informed supervision across the Authority.

The image shows four covers of internal bulletins. The first cover is titled 'AML Anti-Money Laundering' and features a magnifying glass over a document. The second cover is titled 'REGULATORY UPDATES' and shows a gavel on a scale. The third cover is titled 'MONEY LAUNDERING IN THE NEWS' and features a globe with a dollar sign. The fourth cover is titled 'REGULATORY UPDATES' and shows a hand holding a smartphone with a dollar sign.

Publishing Guidance

In 2025, the Function issued two key guidance publications. The first was a Dear CEO Letter on mitigating terrorist financing and sanctions evasion risks for crypto-asset service providers and relevant financial institutions (e-money institutions and payment service providers), setting supervisory expectations and reflecting observed industry practices. The second was a public notice on combatting the

financing of terrorism, highlighting emerging TF risks linked to fundraising via crypto platforms and reiterating the need for robust, risk-based controls—such as effective risk assessments, screening, transaction monitoring, reporting, and training—alongside prompt reporting of suspicions to the FIAU, with deficiencies potentially leading to supervisory or enforcement action.

Combating the Financing of Terrorism: Emerging Risks of Fundraising via Crypto Exchanges

JULY 08, 2025
Share

The integrity of the financial system is key to ensure the stability, development and growth of any country's economy. Threats to the financial system need to be properly assessed and mitigated. One such threat is the funding of terrorism, where the financial system is abused to provide support to terrorist and extremist organisations. Mitigating this abuse contributes to prolonged capital, personal harm, and financial instability. Hence, the obligation on subject persons to apply measures in terms of the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFT) is to mitigate any possible abuse of their products and services to this end.

A subsector that has gained international attention is the abuse of crypto-assets and providers of crypto-asset services to raise funds by designated terrorist organisations covertly received in open markets in the Middle East, as noted by the European Union and other jurisdictions. FIRCOP's 2023 Terrorism Situation and Trend Report provides insight into how this can take place. Other publicly available information on addresses linked to terrorist and terrorist organisations can further assist subject persons involved in this area with their activity and transaction monitoring and scrutiny obligations. A case in point would be the recent publication by the U.S. Attorney's Office for the District of Columbia on exposure of crypto-assets concealed to finance Hamas.

The Malta Financial Services Authority (MFSA) has already had occasion in the past to highlight the importance of robust controls to mitigate the risks associated with funding of terrorism, including through the *Integrity – Payment Service Providers* Guidance Note. More recently, the MFSA has had occasion to mention the control gaps in place in this area through its Dear CEO Letter on *Mitigating the Risks of Terrorism Financing and Sanctions Evasion in Crypto-Asset Service Providers and Financial Institutions*.

Both the FIAU and the MFSA are again reminding all subject persons, and especially those that may be more vulnerable to potential abuse due to the very nature of the products and services they offer can be the case with crypto-asset service providers, about the importance to ensure that they have robust measures in place where they cater to:

- Risk Assessment
- Customer Risk Assessment and Screening Measures
- Ongoing Transaction Monitoring
- Reporting Obligations
- Staff Training and Governance Obligations

All subject persons are urged to ensure their compliance with the obligations under the PMLFT and other applicable European and local legislation. Any instance of possible funding of terrorism that may be detected to be reported to the FIAU without delay. The detection of any failure to comply with these obligations can, depending on the severity of the shortcomings, result in enforcement action. In addition, facilitating funding of terrorism may result in criminal liability, if applicable, of all concerned.



10/03/2025

Financial Crime Compliance
Tel: (+356) 21441155

To: The Management Body,
To: The Money Laundering Reporting Officer,

Mitigating the Funding of Terrorism and Sanctions Evasion Risks in Crypto-Asset Service Providers and Financial Institutions

You are receiving this letter as the Management Body and/or Money Laundering Reporting Officer of a Crypto-Asset Service Provider or a Financial Institution¹ ("Authorised Entity") supervised by the Malta Financial Services Authority (the "MFSA" or "Authority").

1. BACKGROUND

The rapid growth of the virtual financial services industry globally has spurred significant transformations in the financial sector, with Malta emerging as a key jurisdiction in this evolving landscape. Central to this development are Crypto-Asset Service Providers ("CASPs"), along with Financial Institutions such as E-money Institutions and Payment Service Providers, which collectively form the backbone of the country's digital financial ecosystem. These entities offer critical services, including exchanges, wallet management, digital payments, and custodianship, and are key enablers of Malta's growing position in the crypto-asset/payments industry.

Both the FIAU and the MFSA are again reminding all subject persons, and especially those that may be more vulnerable to potential abuse due to the very nature of the products and services they offer can be the case with crypto-asset service providers, about the importance to ensure that they have robust measures in place where they cater to:

- Risk Assessment
- Customer Risk Assessment and Screening Measures
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¹ For the purpose of this document, the term "Financial Institutions" refers to authorised entities covered by Article 2(1)(a) of the Financial Institutions Act (Cap. 374).

10/03/2025
10:00 AM
10/03/2025

Malta Financial Services Authority
100 Victoria Road
Cantara Business District, 1100, Valletta, Malta

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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 a 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

It is important to note that all internal training delivered by the Function is organised in collaboration with the Academy, ensuring alignment with the Authority’s strategic learning goals. All recurring and annual training initiatives are embedded within the Academy’s annual curriculum, ensuring consistency, quality, and sustained capacity-building across the organisation. The FSA also makes many of its programmes available to other regulators, policymakers, and academics, supporting wider knowledge-sharing and promoting supervisory convergence.



Training and Outreach Plan

The Function’s training and outreach 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 contributing to a Diploma being 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)	74
Financial Crime Compliance within Authorisation	79
Financial Crime Compliance within Prudential and Conduct Supervision	56
Understanding Legal Procedures: Request for Information and Court Summons Explained	67
Red Flagging and Suspicious Transaction Reporting	60
Mandatory Training for New Joiners (Session 1 - June)	54
Mandatory Training for New Joiners (Session 2 - November)	55

External Training

Engagement in academic lectures and educational initiatives forms an important part of the Function's training plan. By collaborating with students and academic institutions, the Function helps raise awareness of financial crime risks, strengthen understanding of the regulatory framework, and communicate the MFSA's role in protecting the integrity of the financial system. These initiatives also help connect theory with practice, encouraging future professionals to consider careers in supervision and compliance, while underscoring the Authority's commitment to education, collaboration, and long-term capacity-building within the sector.

In 2025, the Function actively contributed to a range of educational activities. These included organising and providing one joint workshop in collaboration with the FIAU, delivering two lectures at the University of Malta (UoM) on an invitational basis, contributing to a workshop organised by the National Coordinating Committee (NCC) on targeted financial sanctions, and provided 3 lectures as part of the MFSA/UOM-administered Diploma in Financial Regulation and Compliance. The Function also participated in an ERA-organised conference by giving a presentation on the Authority's preparation for the implementation of the AML Package. These engagements further demonstrate the MFSA's dedication to fostering knowledge and supporting professional development within the wider financial ecosystem. In addition, the Function also provided the following.

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