MFSA Strategy on Financial Crime Compliance

August 2026

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Foreword

Kenneth Farrugia
Chief Executive Officer

At the core of the MFSA's mission is a commitment to safeguarding market integrity and maintaining stability within Malta's financial sector, for the protection of consumers and the wider financial system. As Malta's single regulator of financial services, the MFSA plays a central role in setting robust standards and ensuring that the financial system operates soundly and transparently. This Strategy sets out how the Authority will deliver on this role, through a clear, forward-looking approach to addressing financial crime risks which are increasing in scale, sophistication and cross-border impact. Financial crime poses a significant threat to institutions and to financial system resilience. Through this Strategy, we commit to strong oversight, effective risk management, and a culture of compliance across all sectors, supported by close cooperation with local stakeholders, including competent authorities, industry participants, and other partners.

Prof. Christopher Buttigieg
Chief Officer Supervision

This Strategy is being launched at a particularly opportune moment, as the EU advances a transformative regulatory agenda through its Anti-Money Laundering Package. With the introduction of enhanced supervisory frameworks, harmonised rules, and the establishment of a new EU-level AML authority, the landscape of financial crime compliance is entering a new phase of integration and rigor. Against this backdrop, this Strategy is designed to not only meet emerging regulatory expectations but to anticipate them, positioning organisations to respond with agility, consistency, and confidence. It reflects a forward-looking commitment to align with evolving EU standards while strengthening our collective ability to mitigate financial crime risks effectively.

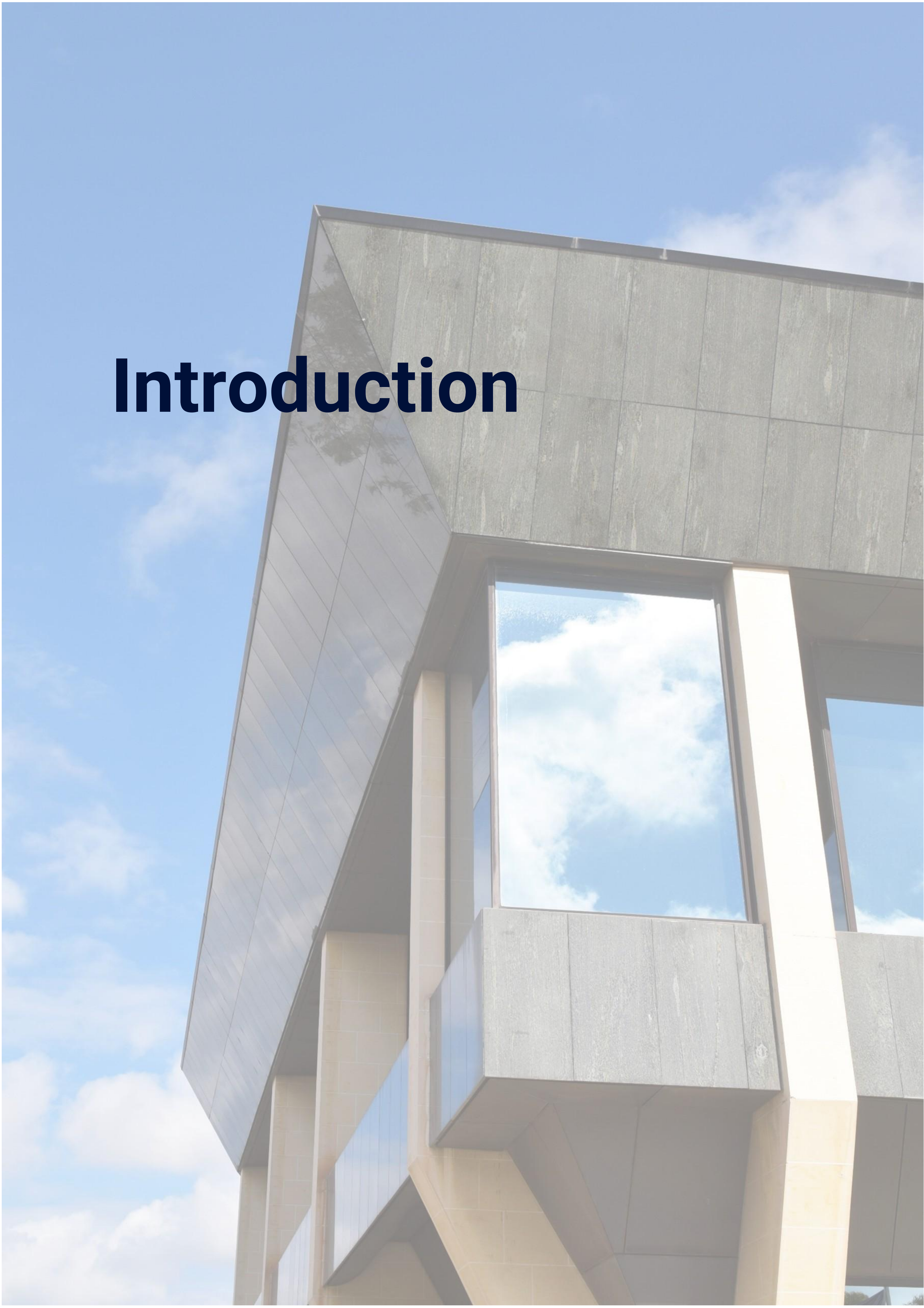
Matthew Scicluna
Head, Financial Crime Compliance

While this Strategy builds on the strong foundations established in previous iterations, it also marks a significant step forward in both ambition and scope. The Authority's enhanced approach reflects an extended commitment to addressing a broader spectrum of financial crime risks, recognising that these threats are increasingly interconnected and complex. The shift from a Strategy focused primarily on AML/CFT to a broader financial crime compliance framework reflects a deliberate widening of our scope. It recognises that financial crime cannot be addressed in isolation and requires a more coordinated response, while maintaining close cooperation and alignment with local stakeholders. This expanded focus reinforces our commitment to tackling financial crime in a more comprehensive and effective way, ensuring we remain responsive to an evolving risk landscape

Abbreviations

Term	Meaning
AML	Anti-Money Laundering
AMLA	Anti-Money Laundering Authority
CFT	Combatting the Financing of Terrorism
CPF	Counter Proliferation Financing
DORA	Digital Operational Resilience Act
EU	European Union
FATF	Financial Action Task Force
FCC	Financial Crime Compliance
FIAU	Financial Intelligence Analysis Unit
MBR	Malta Business Registry
MFSA	Malta Financial Services Authority
MFSAC	Malta Financial Services Advisory Council
MGA	Malta Gaming Authority
MiCA	Markets in Crypto-Assets Regulation
ML	Money Laundering
MLRO	Money Laundering Reporting Officer
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
NCC	National Co-ordinating Committee on Combating Money Laundering and Funding of Terrorism
NRA	National Risk Assessment
SMB	Sanctions Monitoring Board
TF	Terrorism Financing
TFS	Targeted Financial Sanctions

Introduction



The MFSA's Strategic Statement

The MFSA's strategic direction is provided through its Strategic Statement[1] and, from a supervisory perspective, is further detailed in the Authority's annual Supervisory Priorities.[2] This Strategy builds on the priorities and objectives set out therein and provides further detail regarding the MFSA's strategic and policy direction regarding financial crime compliance (FCC).

This strategic document also sits within a developing European context. The Authority anticipates that the implementation of the EU's new AML/CFT framework will not only pose operational and supervisory challenges directly related to new legislative and regulatory texts as presently understood, but will also provide learning opportunities in the medium to longer term.

As such, the strategic pillars provided by this document have been constructed to ensure the Authority's policy direction is complementary to the regulatory environment within which it operates.

When drafting this document the Authority has considered: [i] as aforementioned, its own Strategic Statement and annual Supervisory Priorities; [ii] the recommendations emanating from the National Risk Assessment and the overall prioritisation of the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC), [iii] other overarching policy documents such as the Malta Financial Services Advisory Council (MFSAC)'s Strategy for Financial Services, [iv] European publications issued by the relevant European Supervisory Authorities and [v] guidance issued by standard setters such as the Financial Action Task Force (FATF) and Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

[1] The Authority published its Strategic Statement in February 2023. An Update thereon was published in January 2025.
[2] At the time of publication of this Strategy, the MFSA had published its Supervisory Priorities 2026.

Scope and Objective of this Strategy

This Strategy is designed to build upon the foundations established in previous strategic documents while at the same time, aligning the Authority's ongoing efforts with recent developments in the EU's FCC supervisory framework. By doing so, this Strategy ensures that the Authority remains responsive to evolving expectations while also taking into account its current role and responsibilities within the local institutional architecture.

The MFSA, as the single regulator of financial services, has a vested regulatory interest in preventing the use and involvement of authorised persons in such crimes, and its overarching objective is to continue supporting the Maltese jurisdiction's FCC framework by embedding considerations of FCC within its own mandate as a financial supervisory authority. This is underpinned by the efficient use of supervisory information beyond FCC-direct matters, to assess, identify, and mitigate problem areas within Authorised Entities that may give rise to financial crime[3] and other related risks.

This Strategy is also intended to enhance transparency and ensuring accountability by clearly outlining the Authority's role in supervision, compliance monitoring and enforcement, thus ensuring that clear expectations are set and that all parties understand their obligations. This should serve as a foundation for ensuring effective supervision, providing regulatory certainty, and alignment with international standards.

Strengthening collaboration with stakeholders, both at national and international levels, is a fundamental aspect of this approach, promoting effective information sharing, coordinated action, and consistent application of requirements related to combatting financial crime. This Strategy also underscores the importance of industry

[3] For the purposes of this document, financial crime is to inter alia include Money Laundering (ML), Terrorism Financing (TF), Proliferation Financing (PF), tax crime, Targeted Financial Sanctions (TFS) evasion and fraud.

engagement, with a strong focus on outreach initiatives aimed at providing Authorised Entities with the necessary guidance and support to uphold high standards of compliance.

By continuously assessing and adapting to emerging risks, technological advancements, and evolving financial crime threats, the Authority remains committed to reinforcing Malta's FCC framework and safeguarding the integrity of the financial system.

Bridging Priorities to Practice

What will this entail?

Sustaining a resilient, internationally networked financial sector is one of the strategic pillars set out in the **MFSA Strategic Statement**. To this effect, effectively combatting ML/TF and all forms of financial crime, is considered a core component of this strategic pillar. More specifically, reference is made to **Strategic Priority 17** which reads as follows:

“Implement national and EU AML/CFT Strategy within the sector, in co-ordination with relevant policy-making institutions and supervisory agencies, while further adopting and adapting to the relevant policies and systems in line with our risk-based approach.”

In this regard, the Authority will continue working closely with the Financial Intelligence Analysis Unit (FIAU), the Sanctions Monitoring Board (SMB), the Malta Business Registry (MBR), the Malta Gaming Authority (MGA) and other local regulatory authorities, as well as law enforcement authorities to combat financial crime. This collaboration extends to interinstitutional and policy initiatives, including those workflows falling under the auspices of the NCC.

The Authority will also remain committed to further cooperate with national, EU and supranational bodies, especially with the new EU Anti-Money Laundering Authority (AMLA) with regards to implementing the AML/CFT Legislative Package, to enhance supervisory coordination and standards across the Union. This Strategy will provide further detail on the approach being adopted to fulfil this Strategic Priority.

Strategic Priority 17 cannot be considered as a standalone priority; its successful implementation is dependent on the implementation of other Strategic Priorities. Given its focus on strengthening FCC supervision and regulatory effectiveness, its fulfilment relies on a holistic and coordinated approach that integrates various aspects of the Authority’s broader strategic objectives. It will require enhanced cooperation and information-sharing with both national and international stakeholders, reinforcing the Authority's commitment to transparency, accountability, and regulatory alignment. This naturally contributes to priorities related to supervisory effectiveness, industry outreach, enforcement, and technological innovation.

Strengthening FCC supervision also necessitates a robust risk-based approach, linking directly to initiatives that enhance risk assessment frameworks, data-driven supervision, and the development of regulatory tools to improve compliance oversight. Furthermore, the successful implementation of Strategic Priority 17 will indirectly feed into the fulfilment of Strategic Priorities related to governance, sectoral resilience, and financial stability, ensuring that the Authority's FCC framework is not only effective in isolation but also contributes to the broader integrity and sustainability of the financial system.

Through the adoption of an integrated and collaborative approach, the Authority is seeking to ensure that other regulatory objectives are also met through Strategic Priority 17.

Linked to this is **Strategic Priority 12** which calls on the MFSA to:

"Intensify efforts to maintain and build new inter-institutional relationships focused on collaboration, alignment of policy positions and consistency of supervisory approach."

Similarly, reference should also be made to **Strategic Priority 15**, which states that the Authority is to:

"Engage with counterparts to address gaps and overlaps in regulation, eliminate duplication in data-reporting, and further facilitate the interoperability of data infrastructures."

Additionally, **Strategic Priority 25** also mandates the Authority to:

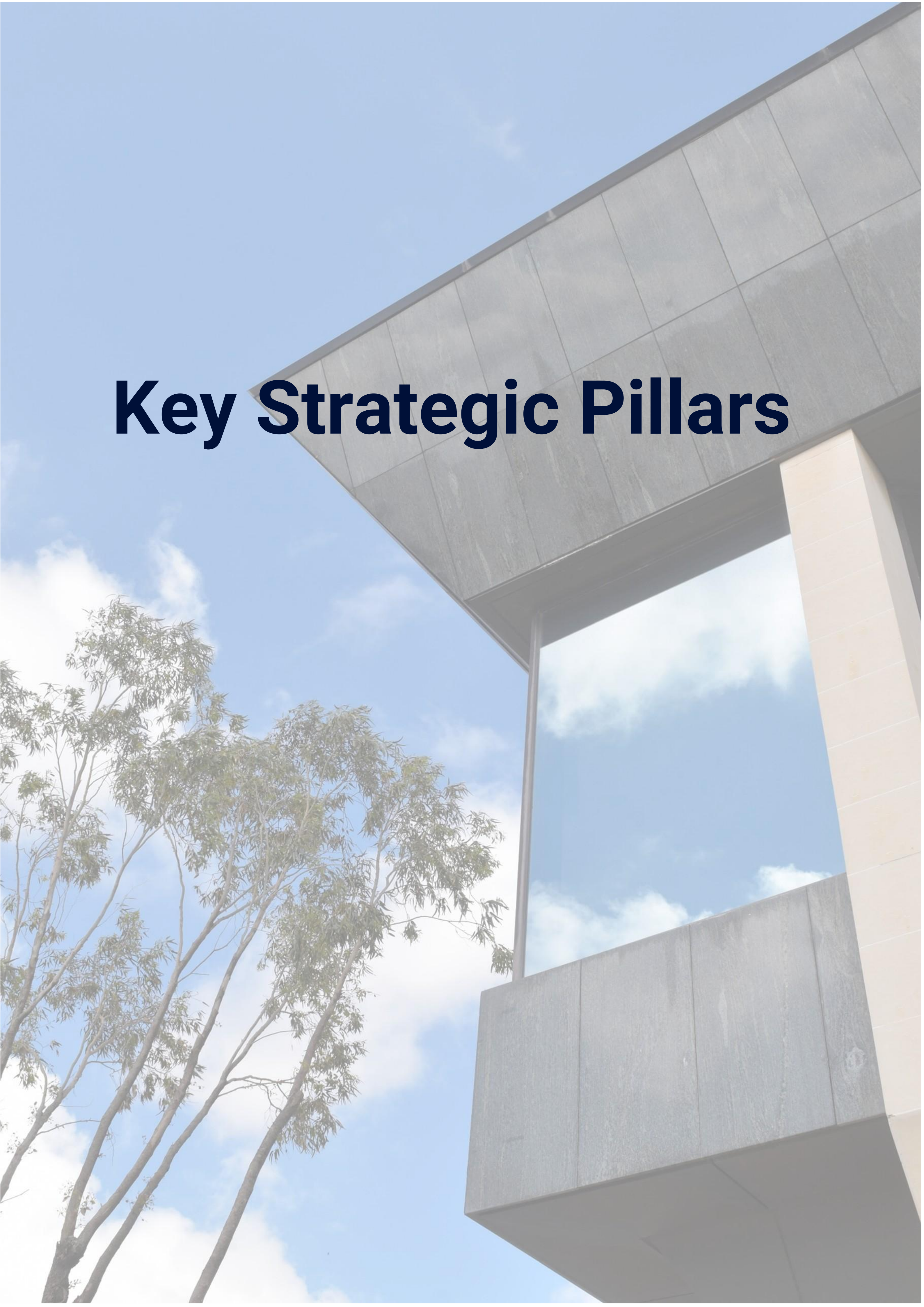
“Engage with the Malta Competition and Consumer Affairs Authority and other public institutions, consumer associations and the public, to improve financial literacy and consumer awareness; leverage on lessons learnt to deliver impactful information; assess the effectiveness of consumer education initiatives through periodical consumer behaviour and public perception surveys.“

Finally, **Strategic Priority 27** requires the Authority to:

“Work with public and private institutions to identify employment needs, develop training opportunities and new ways of attracting top talent to the sector.”

As aforesaid, the abovementioned Strategic Priorities will be impacted by efforts which are specifically intended to satisfy the fulfilment of Strategic Priority 17. Further detail on the approach being adopted to fulfil this Strategic Priority will be provided hereunder.

Key Strategic Pillars



Pillar I – A Risk Based Approach

The Authority's continuous application of a risk-based approach to its consideration of FCC, as guided by Malta's National Risk Assessment, FATF's Recommendations, MONEYVAL publications, and the European Banking Authority's Risk Based Supervision Guidelines, ensures that the Authority's focus on Authorised Entities' FCC measures is proportionate with the level of risk their failure to prevent financial crime poses to consumers of financial services, the integrity of our financial system, the stability of our economy, and Malta's reputation as a global financial hub.

The continuous implementation of a risk-based approach will ensure that available resources continue to be allocated to the areas that present the greatest risk in line with Malta's NRA and those risks that would have the highest impact. As a result, this approach continues to ensure that the Authority is:

(i) Vigilant - being able to spot precursors and red flags, proactively identify emerging threats, and anticipate adverse consequences;

(ii) Flexible - the ability to quickly and appropriately adapt to emerging risks rather than relying on processes developed on past risk identification; and

(iii) Skilful - ensuring that supervisors are capable of: [i] updating their approach to address emerging risks; and [ii] choosing the right tools for each task.

It is important to consider that the above efforts must fit within what is now a well-established FCC institutional framework. The MFSA, as the single regulator of financial services, has a vested regulatory interest to prevent the use and involvement of Authorised Persons in financial crime.

To ensure this framework's effectiveness and efficiency, it is imperative that the MFSA appropriately utilises its unique position and powers to provide added value towards combatting financial crime alongside other key stakeholders such as the FIAU, SMB and Malta Police Force. Strengthening MFSA's defences against financial crime relies on a unified, collective effort. Without proper collaboration, stakeholders risk duplicating work, operating in silos, and ultimately weakening the overall impact of their financial crime prevention measures. This is a situation which this Strategy aims to avoid.

Supervisory insights derived from prudential frameworks such as the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets Regulation (MiCA) offer a concrete view of how an Authorised Entity holistically operates. They highlight operational vulnerabilities and indicate how seriously the entity approaches risk management. Weaknesses in areas such as ICT governance, incident reporting, or outsourcing oversight under DORA can point to deeper structural gaps in internal controls; gaps that often surface again in the entity's FCC framework. Likewise, prudential information on capital adequacy or risk concentrations can expose pressure points where firms may be tempted to compromise on compliance standards.

Hence by systematically integrating these broader supervisory insights, the Authority is uniquely positioned to identify emerging weaknesses before they develop into major compliance breaches. Patterns such as recurring remediation actions, poor-quality submissions under MiCA, frequent operational incidents, or delays in implementing regulatory requirements are all strong warning signals. When analysed alongside financial crime obligations, these indicators help the Authority distinguish between entities that are merely compliant on paper and those that have genuinely embedded effective and sustainable controls.

In this regard, the Authority's vigilance, flexibility, and skilfulness are considered crucial and will feature prominently in: [i] Risk Based Supervision; and [ii] Risk Based Guidance.

(i) Risk-Based Supervision

Risk-based supervision revolves around the idea that as a regulator, the Authority has a finite number of resources that must be deployed where they can make the greatest difference in line with Malta's NRA. Adopting a risk-based approach therefore allows the MFSA to allocate resources to higher-risk sectors which pose the greatest financial crime-related threats to consumers and financial market stability, therefore ensuring that the regulatory oversight is proportionate to the size and complexity of the Authorised Entity. In doing so, the MFSA focuses on Authorised Entities' entire lifecycle with emphasis being made on specific areas of interest which are identified *inter alia* through the results of the latest rendition of Malta's NRA as well as due consideration of the Authority's risk methodologies. Hence the MFSA's level of supervisory scrutiny and probity is informed by its risk-based approach which may result in different supervisory engagements depending on the level of risk.

(ii) Risk Based Guidance

As part of its FCC Strategy, the Authority will continue publishing risk-based guidance to support financial institutions in effectively identifying, assessing, and mitigating financial crime risks. Such guidance will provide clear supervisory expectations, by offering practical insights and industry-specific recommendations. These publications will enhance compliance, promote consistent application of financial crime prevention measures, and reinforce the financial system's resilience against such risks.

Further to the above, regular updates through the Authority's outcomes-based supervision[4], as shall be detailed hereunder, will ensure alignment with evolving threats, regulatory developments, and international standards.

Through its efforts to promote harmonisation, AMLA will also further increase consistency and bring greater clarity through a standardised and robust AML framework across the EU by developing standards and guidelines that contribute to an EU wide Single Rulebook.

[4] MFSA Shifts to Outcomes Based Supervision in 2024

Pillar II - Implementing Outcomes-Based Supervision

The MFSA's outcomes-based approach to supervision is designed to evaluate the effectiveness of Authorised Entities in achieving specific objectives aligned with identified regulatory outcomes. This approach builds upon the MFSA's risk-based framework, which prioritises supervisory efforts based on the probability of failure and the potential impact on financial industry stakeholders. Rather than being a one-time assessment, outcomes-based supervision is an ongoing process of monitoring, evaluation, and adaptation. By focusing on actual outcomes, this approach enhances the effectiveness of the risk-based framework by providing deeper insights into whether regulatory measures are achieving their intended goals, allowing for more targeted interventions and resource allocation. Its implementation forms a key component of the MFSA's 2023 Strategic Statement.

As part of its outcomes-based supervision, the MFSA has undertaken various supervisory exercises, including the issuance of guidance for Money Laundering Reporting Officers (MLROs) in the Financial Services Sector[5] and a thematic exercise on MLROs operating within (Corporate) Company Service Providers.[6] These initiatives aim to assess and strengthen the effectiveness of MLROs in fulfilling their regulatory obligations, ensuring that Authorised Entities maintain robust FCC frameworks.

Moving forward, the MFSA will continue to conduct similar supervisory exercises to re-assess and measure improvements in previously identified regulatory outcomes. These follow-up reviews will help determine whether prior interventions have successfully addressed the targeted risks or whether additional measures are required. By continuously monitoring progress and adapting its approach accordingly, the MFSA ensures that financial entities remain aligned with evolving regulatory expectations and industry best practices. This iterative process reinforces the Authority's commitment to maintaining a dynamic and effective supervisory

[5] A Guidance for Money Laundering Reporting Officers in the Financial Services Sector
[6] Dear CEO Letter - Thematic Exercise on MLROs of (Corporate) CSPs

framework that promotes resilience, transparency, and trust within the financial sector.

Pillar III – A Focus on Authorised Entities' Entire Lifecycle

The MFSA expects Authorised Entities to maintain robust AML/CFT arrangements from the moment they are set up and throughout their entire business lifecycle. The Authority actively monitors these arrangements at all stages to pre-empt poor conduct and minimise wrongdoing. At the authorisation stage, the Authority requires Authorised Entities to provide evidence of their proposed and/or current AML/CFT frameworks.

The Authority evaluates the extent to which Authorised Entities understand the financial crime risks inherent in their operations in order to determine whether they have robust plans in place to monitor and control these risks effectively. As part of its ongoing supervision, the MFSA continuously monitors Authorised Entities against this framework throughout their business operations. FCC considerations are integral to the Authority's reviews, which ensure that Authorised Entities maintain their robust arrangements on an ongoing basis and adapt them as necessary to evolving circumstances. The MFSA also evaluates whether any weaknesses or gaps within these frameworks may increase Authorised Entities' exposure to financial crime risks.

The Authority recognises that Senior Management plays a pivotal role in fostering a strong FCC culture by setting a clear tone from the top and demonstrating appropriate conduct and aptitude. At the same time, individual employees also carry important responsibilities in preventing, detecting, and deterring financial crime. This collective commitment is embedded across the Authority's authorisation, supervision, and enforcement processes, ensuring that only individuals who possess the necessary integrity, competence, and professionalism hold senior positions within Authorised Entities.

Fitness and properness assessments serve as a key safeguard, preventing individuals who are not fit and proper, from entering or continuing to operate within the system. In this capacity, the Authority acts as a gatekeeper to the financial services sector.

Since fitness and properness are an ongoing requirement, approved individuals remain subject to continuous supervision by the MFSA. Circumstances may arise that warrant a reassessment of a person’s suitability. Failure to satisfy the Authority’s fitness and properness criteria may result in the refusal of an approval or, where a person is already approved, the withdrawal of that approval.

Where standards of governance, oversight, or internal controls fall short of expectations, the Authority will continue to take proportionate regulatory action to address these deficiencies. This approach ensures that FCC considerations are consistently and effectively integrated throughout the supervisory lifecycle of all Authorised Entities.

Pillar IV - Streamlining Regulation and Regulatory Oversight

As part of its Strategy, the Authority is committed to continuing to enhance regulatory coordination, collaboration and alignment with other Competent Authorities. This approach aims to ensure holistic, timely, consistent, and proportionate supervision across key areas, including authorisation, compliance, enforcement, and regulatory oversight while streamlining regulatory oversight to strengthen Malta’s risk-based approach.

Moreover, local initiatives related to streamlining regulatory oversight will also be actioned in manners that are consistent with the intended outcomes emanating from the implementation of the new EU AML legislative package. These key elements are meant to reinforce Malta’s commitment to international standards, regulatory certainty, and safeguarding the financial sector’s sustainability.

Enhanced information exchange between regulatory bodies will facilitate a more comprehensive risk understanding, enabling a proactive approach to identifying and addressing financial crime threats. Additionally, the development of mutually beneficial tools and shared resources will improve the efficiency and effectiveness of AML/CFT supervision, ensuring a coordinated national response. These efforts will reinforce regulatory consistency, increase supervisory effectiveness in line with the National AML/CFT/TFS Strategy, and further align Malta's framework with international best practices and EU AML requirements.

Fulfilling this initiative from an FCC perspective will not only enhance Malta's ability to combat financial crime but will also contribute to broader regulatory objectives. By strengthening cooperation, information exchange, and supervisory tools, the Authority will continue to ensure a more resilient and well-integrated regulatory framework, indirectly enhancing the Authority's identification of regulatory overlaps, and potentially eliminate unnecessary burden.

Further to the above, to strengthen regulatory effectiveness from an FCC perspective, sector-specific guidance will be streamlined to promote a harmonised regulatory framework.

Pillar V - Coordination and Collaboration

As part of its FCC Strategy, the Authority will continue to actively pursue opportunities to engage, collaborate and share expertise with both national and international regulatory bodies. The MFSA will also continue to spearhead initiatives aimed at strengthening information sharing frameworks and play an active role in various international committees and fora. Through close cooperation with the European Supervisory Authorities, the Authority will continue to contribute meaningfully to the development of the EU's regulatory framework. In addition, the MFSA will continue to play a key role in Malta's broader AML ecosystem and contribute directly to any AMLA-led initiatives. This includes offering technical input into the drafting of new Regulatory Technical Standards, Guidelines, Opinions, and Reports.

Additionally, the Authority will continue engaging with supranational bodies and ensure the implementation of EU legislation and FATF standards, aligning its FCC supervision with global best practices. Strengthening these partnerships and aligning with international frameworks not only enhances the effectiveness of FCC supervision but also indirectly supports the Authority's general engagement with counterparts, reinforcing Malta's role as a well-regulated and internationally recognised financial jurisdiction. This and other similar initiatives will continue to highlight the MFSA's pivotal role in enhancing collaboration, reinforcing compliance standards and shaping the future of financial regulation.

Pillar VI - Outreach

The MFSA has intensified its outreach efforts and will continue seeking new ways to engage with the industry, whether it is through targeted publications, supervisory meetings, or new initiatives such as public–private partnerships. Such efforts will be undertaken to foster a meaningful and effective two-way relationship with industry stakeholders. The Authority will continue to place significant emphasis on industry outreach, ensuring that financial institutions have the necessary guidance, support, and clarity to effectively implement FCC requirements. This will include engagement through publications, training sessions, workshops, and direct communication, enabling Authorised Entities to better understand evolving risks, regulatory expectations, and best practices.

By fostering a collaborative and transparent supervisory environment, the Authority aims to enhance industry-wide compliance, promote a strong risk culture, and strengthen the overall effectiveness of Malta's FCC framework. The fulfilment of this initiative will also indirectly support the MFSA's priorities related to financial literacy, consumer awareness, and engagement with educational institutions to create training opportunities, reinforcing its commitment to stakeholder engagement, capacity-building, and regulatory excellence.

Conclusion

Concluding Remarks

This Strategy draws its strength from the MFSA's comprehensive Strategic Statement and annual Supervisory Priorities, while also integrating key recommendations from Malta's ML/TF/PF-TFS NRA, the recommendations emanating from Malta's NRA and the resulting guidance of the NCC on AML/CFT/CPF, and the broader vision articulated in the MFSAC's Strategy for Financial Services. Together, these foundational pillars shape a forward-looking and cohesive approach to combating financial crime.

By articulating a clear policy direction and strategic framework, the MFSA reaffirms its commitment to transparency, accountability, and regulatory clarity. This Strategy defines the Authority's role across supervision, compliance monitoring, and enforcement, providing financial institutions and stakeholders with well-grounded expectations and obligations.

In delivering on this mandate, the Authority will strive to make systematic use of supervisory information arising from its wider regulatory responsibilities, including frameworks such as DORA, MiCA and other prudential requirements to efficiently identify assess and mitigate financial crime risks. By embedding this into decision-making processes, the Authority will be better placed to detect problem areas at an early stage, adjust its supervisory response, and ensure that if the provision of information to any other relevant supervisory authority is deemed to be beneficial, then this is actioned appropriately.

Central to the MFSA's vision is the promotion of strong collaboration, both at the national and international levels. Effective information exchange and joint action are critical to ensure consistency in the application of FCC measures and to strengthen Malta's resilience against financial crime.

Equally, the MFSA recognises the value of continuous engagement with industry stakeholders. Through structured outreach and guidance, the MFSA will aim to support Authorised Entities in meeting the highest standards of compliance. This proactive engagement not only fosters a culture of responsibility but also strengthens the collective response to evolving threats, emerging risks, and technological change.

As we move forward, the MFSA remains steadfast in its mission to uphold the integrity of Malta's financial system. By embracing a dynamic, risk-based, and transparent supervisory approach, the Authority ensures ongoing alignment with international best practices and reinforces Malta's position as a reputable and resilient financial centre.

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