



FINANCIAL INTELLIGENCE ANALYSIS UNIT

ANNUAL REPORT

2009



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FINANCIAL INTELLIGENCE ANALYSIS UNIT

MISSION STATEMENT

THE FINANCIAL INTELLIGENCE ANALYSIS UNIT STRIVES TO BE A LEADER IN THE PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING, THUS CONTRIBUTING TOWARDS A SAFE AND STABLE FINANCIAL AND ECONOMIC ENVIRONMENT. WE WORK TOWARDS THIS MISSION THROUGH INFORMATION COLLECTION, ANALYSIS AND CO-OPERATION IN THE DISSEMINATION OF INFORMATION OF SUSPECTED MONEY LAUNDERING OR TERRORIST FINANCING RELATED ACTIVITIES, THUS SUPPORTING THE DOMESTIC AND INTERNATIONAL LAW ENFORCEMENT INVESTIGATIVE EFFORTS.

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FINANCIAL INTELLIGENCE ANALYSIS UNIT

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LEFT TO RIGHT: Dr. Manfred Galdes, Mr. Pierre Calleja, Dr. Silvio Camilleri, Dr. Anton Bartolo and Mr. Herbert Zammit LaFerla

LETTER OF TRANSMITTAL TO THE MINISTER OF FINANCE, THE ECONOMY AND INVESTMENT

**Financial Intelligence Analysis Unit
Valletta**

March 2010

Dear Minister,

In accordance with Article 42(1) of the Prevention of Money Laundering Act, Cap. 373 of the Laws of Malta, I have the honour to transmit a copy of the Annual Report on the operations of the Unit and a copy of the annual accounts certified by the auditors for the Unit's financial year ended 31st December 2009.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Camilleri', written in a cursive style.

Dr. Silvio Camilleri
Chairman

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ABBREVIATIONS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CBM	Central Bank of Malta
CPMLFT	Committee on the Prevention of Money Laundering and the Financing of Terrorism
EC	European Commission
EEA	European Economic Area
EU	European Union
FATF	Financial Action Task Force
FIAU	Financial Intelligence Analysis Unit
FIU	Financial Intelligence Unit
FSRB	FATF Style Regional Body
JCPMLFT	Joint Committee on the Prevention of Money Laundering and Funding of Terrorism
LGA	Lotteries and Gaming Authority
ICC	International Chamber of Commerce
MER	Mutual Evaluation Report
MFSA	Malta Financial Services Authority
ML/FT	Money laundering and financing of terrorism
MLRO	Money Laundering Reporting Officer
MONEYVAL	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MoU	Memorandum of Understanding
PMLA	Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta)
PMLFTR	Prevention of Money Laundering and Funding of Terrorism Regulations, 2008
STR	Suspicious Transaction Report

STATEMENT OF THE CHAIRMAN



The financial world has gone through a period of turmoil and great instability which sent shivers down the spines of many Governments who scrambled in order to prop up the financial industry they were afraid would crumble in front of their eyes. The shock also rang alarm bells to FIUs everywhere because of the risk that money launderers might seek to exploit the shambles and the increased vulnerability of financial institutions for their own ends. The FIAU was no exception and it also therefore increased its state of alertness to take into account the emerging scenario. Fortunately, as a result of the wise and prudent policies implemented by the MFSA and the CBM we managed to come out of the crisis rather well without having to endure the shocks which were suffered by the financial system of other jurisdictions. Hopefully the worst is now over but there are certainly lessons to be learned from what happened, not the least among which is the need of being always on the alert to what is happening in the industry and the capacity to be able to react with speed and effectively to the problems that are identified.

The compliance function of the FIAU is fundamental in this respect. As I mentioned in the 2008 Annual Report the Unit had that year embarked upon a strategy to strengthen its capacity in this area. This included the creation of a specialised compliance section which would be able to increase the Unit's focus on the monitoring of the compliance by subject persons with current international standards and domestic laws and regulations. As foreseen in my last statement, during the year under review the Unit continued to develop this area of its activities by increasing its staff and adding another officer to the compliance section. This section has already performed excellent work in the area of compliance monitoring not only by assisting the MFSA in compliance visits conducted by it but also by, for the first time, itself conducting focused visits at credit institutions and also in relation to casinos, with the valuable assistance of the Lotteries and Gaming Authority.

During 2009 the need was also felt for the Unit to hone its expertise in so far as its core functions are concerned. In order to be able to do this the Governing Board considered it necessary to separate its administrative activity from its core functions. With this objective in view an Administrative and IT Officer has also been engaged in order to relieve the rest of the staff of administrative duties. In fact it was necessary to overhaul the Unit's IT system in order to ensure that the Unit continues to discharge its legal obligations efficiently and effectively. In order also to enhance its operational function, there are also plans to acquire new specialised analytical software to support the financial analysts in their work.

The FIAU has continued to raise its profile in the international field by signing two more MoUs with the Romanian and Slovenian FIUs during the Egmont Plenary which took place in May. The Unit also hosted an FIU.Net workshop in Malta which saw the participation of over sixty participants from FIUs in Member States of the EU, candidate states and from the FIU.Net Bureau. I had the pleasure of opening an International Financial Crime Forum held in Malta by the ICC Commercial Crime Services. This international conference was attended by delegates from Europe, the Middle East and Asia, as well as a substantial representation from Malta. Together with international speakers the Conference was also addressed by the Director of the FIAU who made a well received presentation on compliance monitoring from a regulatory perspective. Other members

of staff of the Unit are also called upon from time to time to contribute to specific money laundering issues in international fora. Indeed in a MONEYVAL meeting on typologies held in Cyprus in which the Unit's Legal and International Relations Officer, as a member of the Committee's project team on internet gaming, delivered a presentation on the subject to the assembled experts. All this is over and above the regular participation of members of the FIAU in meetings of the FIU Platform, the EU Committee on the Prevention of Money Laundering and Terrorist Financing, the annual Egmont Plenary and the Plenary meetings of MONEYVAL.

In this statement I have limited myself to some of the more salient features of the FIAU's activities during the year in review. I hope that by doing so I have whetted your appetite for more and prompted you to delve further into the pages of this report which I am sure you have noticed has become more polished and more attractive in presentation. The Unit has made great strides along the years. All this is due to the remarkable efforts of a small number of dedicated persons who form the backbone of the Unit and to all of whom I extend my thanks on behalf of the Board of Governors. Of course there is always more to be done as the FIAU continues to pursue its mission "to be a leader in the prevention of money laundering and terrorist financing, thus contributing towards a safe and stable financial and economic environment".

Dr. Silvio Camilleri

1. THE FINANCIAL INTELLIGENCE ANALYSIS UNIT

Establishment and Composition

The FIAU is the national central agency in Malta tasked with the responsibility of collecting, collating, processing, analysing and disseminating financial information with a view to combating money laundering and the funding of terrorism. It is therefore a key player in the national framework for the global fight against money laundering and the funding of terrorism.

The PMLA was enacted on 23rd September 1994, thereby establishing the legal framework for the prevention of money laundering in Malta. The FIAU was established and became operational on 1st October 2002, by virtue of Legal Notice 297 of 2002, which brought into force comprehensive amendments to the PMLA promulgated by means of Act XXI of 2001. Structurally, the FIAU is set up as an agency within the Ministry responsible for finance, however the law provides for full autonomy for the Unit in its operational activities.

The FIAU is composed of a Board of Governors and a Director. Whereas the Board is responsible for the establishment of the policy of the Unit, the Director is required by law to execute that policy. In order to discharge its functions, the FIAU has established the following Sections: an Administration and I.T. Section, a Financial Analysis Section, a Compliance Section and a Legal and International Relations Section.

Functions

The FIAU has three principal functions listed in Article 16 of the PMLA together with other ancillary duties which are also of utmost importance in the global fight against money laundering and the funding of terrorism. Some of these ancillary functions are listed below together with a brief description of the FIAU's core functions.

Core functions

The receipt and analysis of information on transactions suspected to involve money laundering or to be related to the funding of terrorism from institutions and persons that are subject to the obligations of the PMLFTR. Where a reasonable suspicion of money laundering is identified the Unit reports thereon to the investigating authorities. This function also requires the Unit to demand information from subject persons and any other person for the purpose of conducting its analysis.

The exchange of information and co-operation with local and foreign supervisory authorities and with other FIUs, either spontaneously or through memoranda of understanding.

Oversight and monitoring of compliance by persons and institutions in terms of the PMLFTR. In doing so the Unit co-operates and liaises with local supervisory authorities appointed to act as agents for and on behalf of the FIAU in carrying out on-site sectoral compliance visits and examinations and tasked to report thereon to the Unit.

Ancillary functions

Analysis and assessment of information on financial and commercial activities to identify areas that may be vulnerable to money laundering or the funding of terrorism.

Advising the Minister responsible for finance on all matters and issues related to the prevention, detection, investigation, prosecution and punishment of money laundering and the funding of terrorism.

The compilation of statistics, the dissemination of information and the issuance of guidelines.

Advising and assisting natural and legal persons to develop effective measures and programmes for the prevention of money laundering and the funding of terrorism.

A brief overview of the manner in which the core functions are carried out by the FIAU is provided on page 13.

FINANCIAL ANALYSIS

- Receives STRs from subject persons and obtains additional information in relation to such STRs
- Conducts a financial analysis following the receipt of the STR
- Draws up analytical reports on findings
- Reports to the Police if a reasonable suspicion of money laundering or funding of terrorism subsists
- Compiles statistics and records
- Gathers information on the financial and commercial activities in Malta to detect areas of activity which may be vulnerable to money laundering and terrorist financing
- Produces typology reports
- Reports to the Police any suspicion of money laundering or funding of terrorism where it becomes aware of any suspicious activity during the course of the discharge of its functions

COMPLIANCE MONITORING

- Monitors compliance of subject persons
- Establishes compliance procedures for on-site examination and off-site monitoring and collaborates with supervisory authorities in conducting on-site examinations on its behalf
- Conducts focused on-site examinations
- Receives reports from supervisory authorities conducting on-site examinations on its behalf and co-operates with them on remedial action
- Keeps abreast with developments in methods, typologies, and trends in order to provide guidance and feedback by transmitting updated information to subject persons
- Issues guidelines and disseminates information among subject persons

EXCHANGE OF INFORMATION

- Co-operates and exchanges information with foreign FIUs, supervisory authorities and law enforcement bodies
- Receives requests from foreign FIUs and makes requests to foreign FIUs for assistance
- Participates in international fora, including the meetings, committees and working groups connected to the Egmont Group, the EU FIU Platform, the EU Committee on the Prevention of Money Laundering and Terrorist Financing and MONEYVAL
- Enters into bilateral and multilateral Memoranda of Understanding with the foreign FIUs, supervisory authorities and international organisations

STRUCTURE OF THE ORGANISATION

BOARD OF GOVERNORS

Composition: Chairman, Deputy Chairman and two other members.

Appointment: By the Minister responsible for finance - one person selected from each of four panels nominated by the Attorney General, the Governor of the CBM, the Chairman of the MFSA and the Commissioner of Police. The Chairman and the Deputy Chairman are appointed from among the Board members by the Prime Minister after consultation with the Minister responsible for finance.

Functions: Lays down the policies of the Unit.

DIRECTOR

Appointment: By the Board upon a regular call for applications.

Functions: Responsible for the execution of the established policies and reports to the Board accordingly. Carries out all the other functions of the Unit not attributed by the PMLA to the Board and is assisted by permanent staff. The Director attends meetings of the Board where he can participate in discussions but has no right to vote.

POLICE LIAISON OFFICER

Appointment: A police officer not below the rank of Inspector, appointed by the Commissioner of Police.

Functions: Assists the Unit in the analysis and processing of STRs and of information and intelligence data collected by the FIAU. He may make available to the FIAU any information at the disposal of the police or which is part of the police records if relevant to the exercise of the FIAU's functions. He also advises the FIAU on investigative techniques and on all law enforcement issues.

FINANCIAL ANALYSIS SECTION

Functions: Responsible for the analysis of suspicious transaction reports and preparation of analytical reports.

COMPLIANCE SECTION

Functions: Ensures compliance with the PMLA and the PMLFTR by subject persons.

LEGAL & INTERNATIONAL RELATIONS SECTION

Functions: Advises on legal matters and manages the international aspects of the Unit's functions.

ADMINISTRATION & IT SECTION

Functions: Responsible for the Unit's administrative, accounting and IT set-up.

2. OPERATIONS

Financial Analysis

One of the principal functions of the FIAU set out in the principal law establishing the Unit is the receipt and analysis of reports relating to activities or transactions suspected to involve money laundering or the funding of terrorism submitted by the persons or entities subject to the obligations under the PMLFTR.

STRs are processed by the financial analysis section of the Unit through a systematic and structured analysis of the information contained in the STRs. This information is supplemented by other relevant information that the FIAU may already possess or that it obtains by requesting other persons who, in the opinion of the FIAU, could be in possession of further relevant information.

Once the analysis in relation to the report is completed by the financial analysis section, a preliminary report is drawn up and presented to the Financial Analysis Committee, an internal body chaired by the Director and composed of the Unit's financial analysts and the Legal and International Relations Officer. The Committee is tasked with assessing the contents of the report and reaching a determination as to whether a reasonable suspicion of money laundering or terrorist financing subsists in terms of law. If the Committee determines that the requirements set out in the law have been satisfied, the analytical report, together with all relevant information, is submitted to the Police for further investigations. The STR received from subject persons, being a confidential document, is retained by the FIAU and is not submitted to the Police with the analytical report.

The same procedure as outlined above is adopted by the FIAU where the Unit draws up an analytical report on the basis of information in its possession which does not originate from a STR.

The Unit strives to provide general feedback to subject persons and supervisory authorities on the quality of STRs and to further assist them in the monitoring of activities and transactions. To this effect the FIAU carries out periodical overall analyses of the STRs where it tries to identify and draw patterns, trends and typologies of money laundering or the financing of terrorism. The Unit also maintains comprehensive statistical data which is updated on an ongoing basis.

The following paragraphs contain a review of the statistical data relating to financial analysis carried out during 2009.

Statistics

A review of the number of STRs received by the FIAU from the date of its establishment up to the end of 2009 reveals that the FIAU has now received a total of 470 STRs. These gave rise to 410 different cases in respect of which a financial analysis was carried out by the FIAU¹. During the year under review, 63 STRs were submitted to the FIAU, a drop of 9 percent from the previous year (refer to Table 1). The figure for 2009 falls slightly short of the average of 67 STRs registered so far. However, it can be observed that the number of STR submissions is reaching a certain level of stability with the number of reports received by the FIAU in the last three years consistently falling within the range of between 60 and 70 STRs (refer to Chart 1).

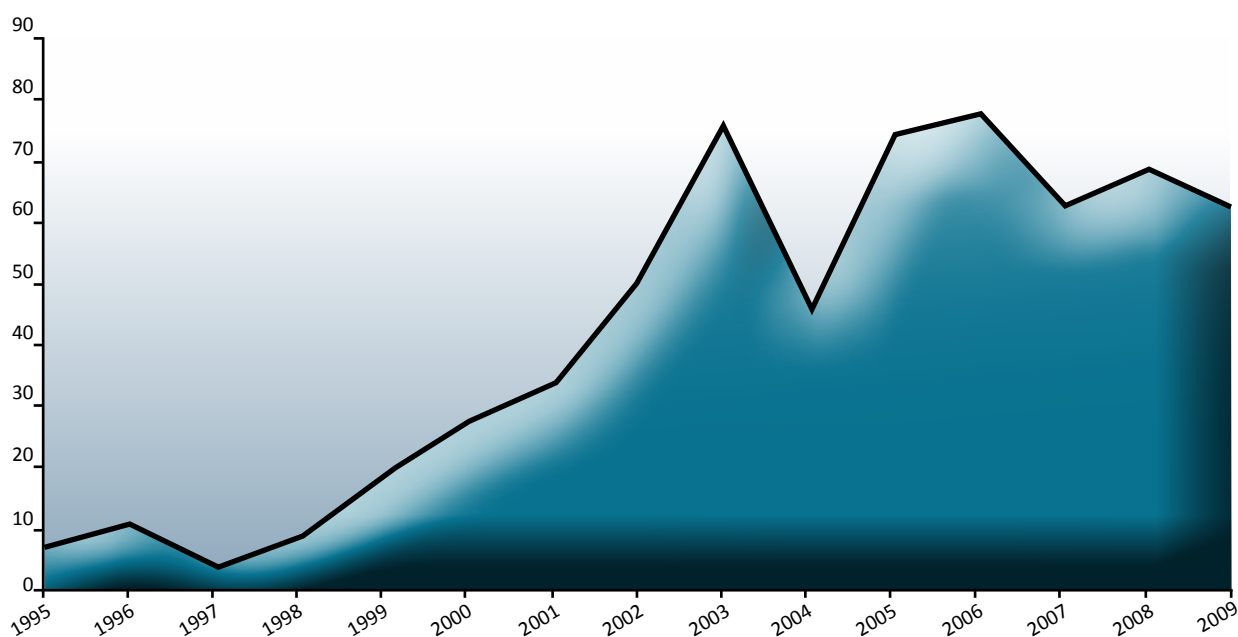
This figure may lead one to conclude that there has been no increase in the level of awareness of the obligations of subject persons over the said period. Nevertheless other figures reported further on in this report, particularly those showing a marked increase in the number of STRs submitted by certain categories of subject persons such as members of the accountancy and legal profession, real estate agents and investment services licence holders, may suggest otherwise.

¹ It is not uncommon for the FIAU to receive more than one STR from different subject persons in relation to the same transaction or the same activity. In these situations, the STRs are dealt with together as one case. It is also possible for the same subject person to report different transactions in relation to the same person separately. In such cases, it may be deemed to be more expedient to deal with the different transactions as one case.

Table 1: STRs and cases (2003 - 2009)

	2003	2004	2005	2006	2007	2008	2009
STRs	76	46	75	78	63	69	63
Cases	58	43	62	72	55	67	53
Cases as a % of STRs	76%	93%	83%	92%	87%	97%	84%

Chart 1: STRs received by the FIAU annually (1995 - 2009)



The last quarter of 2009 was characterised by the largest proportion of STRs received when compared to the other quarters, accounting for more than 30 percent of all the reports received in 2009. Table 2 reveals that since the establishment of the FIAU, there has never

been another year where such a high proportion of the STRs submitted to the Unit were received in the last quarter of the year. This figure explains the large number of ongoing cases registered at the end of 2009 as outlined in Table 3.

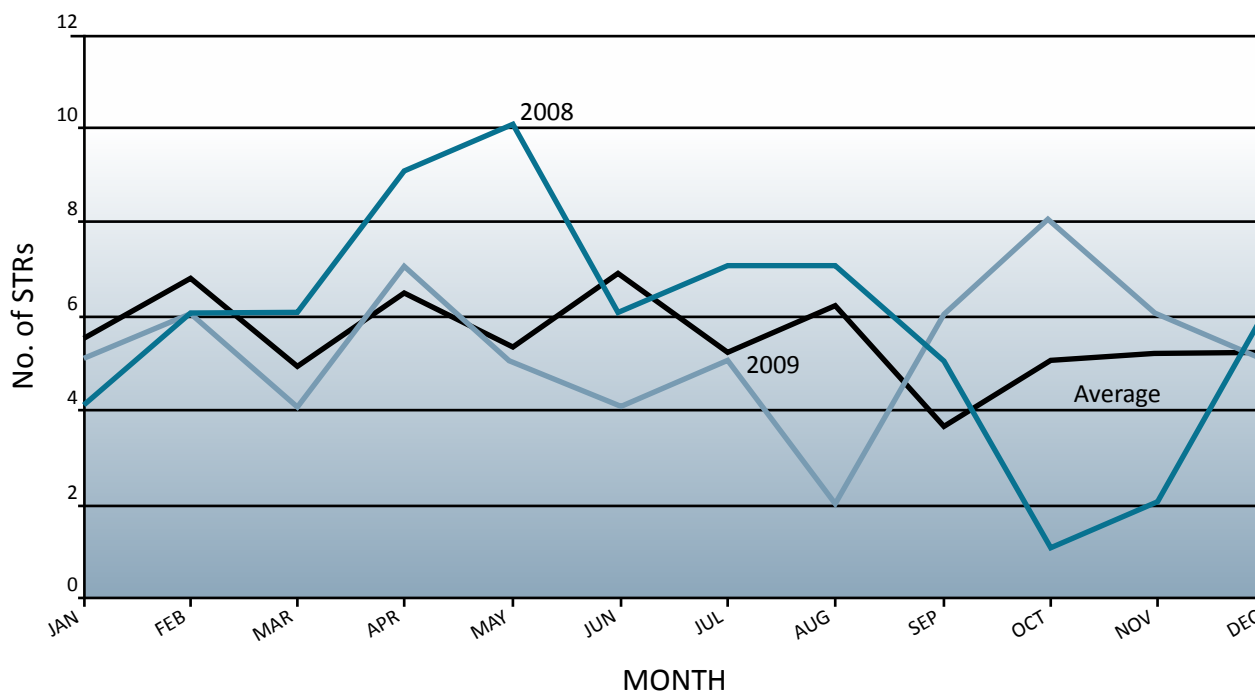
Table 2: STRs received by the FIAU by quarter (2003 - 2009)

	2003	2004	2005	2006	2007	2008	2009
Quarter 1	35.53%	28.26%	21.33%	22.06%	26.98%	23.19%	23.81%
Quarter 2	26.32%	17.39%	37.33%	29.41%	20.63%	36.23%	25.40%
Quarter 3	17.11%	26.09%	16.00%	26.47%	26.98%	27.54%	20.63%
Quarter 4	21.05%	28.26%	25.33%	22.06%	25.40%	13.04%	30.16%

Twenty-five percent of total STR submissions to the FIAU during the year under review occurred during the second quarter while the first and third quarters registered STR submissions of 24 percent and 21 percent respectively. The reported activity was below

the annual averages during the first, second and third quarters, while, as stated earlier, the figures registered during the fourth quarter were significantly above the average for this period in comparison to previous years (refer to Chart 2).

Chart 2: STRs received by the FIAU monthly (2008 and 2009)



Naturally, the decline in the number of STRs submitted to the FIAU brought an expected decline in the number of cases analysed by the Unit. The 63 STRs received gave rise to 53 separate cases, one of the lowest figures since 2004, when 43 cases had been analysed. Consequently, the number of cases for 2009 is below the average of 59 cases per annum. However, it should be noted that the FIAU continued to carry out analyses in relation to 27 reports received in the latter part of 2008, bringing the total number of STRs on which financial analysis was carried out in 2009 to 90 (refer to Table 3). The STRs in respect of which a determination was made by the FIAU during 2009 as to whether a reasonable suspicion of money laundering or the funding of terrorism subsists amounted to 45, resulting in a total of 38 cases. The 45 STRs in respect of which financial analyses were concluded may be sub-divided as follows: two STRs (one case) originally filed in 2007 but in respect of which new information continued to be received by the FIAU in 2008 and 2009, 21 STRs (21 cases) filed in 2008 and 18 STRs (16 cases) filed in 2009.

In addition to the cases dealt with by the FIAU resulting from the 63 STRs received during the year, the Unit dealt with 13 other cases which were triggered internally on the basis of information available to the FIAU from other

sources and through its ongoing monitoring of the financial and non-financial sector. The 13 cases analysed in 2009 represented an increase of ten cases, or approximately a three hundred percent increase in such cases. Out of the 13 cases which were generated internally in 2009, two cases were forwarded to the Police for further investigation, in two other cases it was concluded that the financial analyses conducted did not give rise to a reasonable suspicion of money laundering or the funding of terrorism, while in nine other cases the analysis was still ongoing at the end of 2009.

Table 3 illustrates the annual breakdown of the outcome of financial analyses carried out in relation to STRs received from the establishment of the FIAU up to the end of 2009.

Table 3: Outcome of STRs and cases (2003 - 2009)

Outcome of STRs	2003	2004	2005	2006	2007	2008	2009
Referred to Police for investigation	17	23 ^a	28 ^b	24 ^c	24 ^d	41 ^e	19 ^f
No reasonable suspicion of ML/FT - no further action	30	33	41	48	24	30	19
STR unrelated to ML/FT - no analysis carried out	4	-	-	1	4	2	-
Ongoing analysis	35	25	39	23	34	27	49

Refer to ^(a) 20 cases ^(b) 22 cases ^(c) 21 cases ^(d) 22 cases ^(e) 39 cases ^(f) 17 cases

When an analytical report containing financial intelligence is submitted to the Police for further investigation, the FIAU fulfils one of its principal functions as set out in the PMLA. During the course of 2009, 17 analytical reports originating from 19 STRs were referred for Police investigation. As mentioned earlier, a further two cases (not shown in Table 3) were referred to the Police for investigations which were generated internally and in respect of which no STR was received by the FIAU. Therefore the total number of analytical reports referred to the Police in accordance with the provisions of the PMLA during 2009 rises to 21.

The Financial Analysis Committee determined that another 22 STRs (21 cases) analysed by the Unit did not substantiate the existence of a reasonable suspicion of money laundering or the funding of terrorism as required by the provisions of the PMLA. In another two cases generated by the FIAU on the basis of information available to it which is independent of any STR (not shown in Table 3), it was decided that on the basis of the information available to it and the information obtained from third parties, no further action should be taken by the FIAU. The total number of analytical reports concluded in 2009 on which it was decided that no further action is required, therefore, stands at 23.

The total number of STRs in respect of which financial analysis is currently being conducted stands at 49 (41 cases). When seen in conjunction with the nine cases generated internally, the total number of cases still subject to financial analysis at the end of 2009 is 50.

During 2009 no suspicious transactions were reported to the FIAU concerning the funding of terrorism. However, the analysis of a particular case reported to the FIAU as a money laundering suspicion, led the Financial Analysis Committee to conclude that the analytical report should be referred for Police investigation on the basis of reasonable suspicions of both money laundering and funding of terrorism (refer to Table 5B).

STRs by categories of subject persons

The main originators of STRs submitted to the FIAU have traditionally been credit institutions, accounting for almost 60 percent of STRs (refer to Table 4). As for other countries,

this is probably explained by the dominance of banks within the financial sector. As detailed in Chart 3, this trend was sustained from one year to the next up to the end of 2008 with the proportion of STRs submitted by credit institutions never reducing to less than 50 percent of the total STRs. Traditionally, credit institutions were then followed by financial institutions, supervisory authorities, insurance business licence holders (including intermediaries), investment services licence holders, trustees and fiduciaries, and the various other categories of subject persons.

Table 4: STRs filed by categories of subject persons for the period 2003 to 2009 in absolute numbers and as a percentage of total number of STRs

Category of subject persons	2003		2004		2005		2006		2007		2008		2009		Totals	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Credit Institutions	56	74	33	72	39	52	42	54	39	62	44	64	26	41	279	59
Financial Institutions ²	4	5	8	17	18	24	13	17	11	17	13	19	6	10	73	16
Investment Services Licensees	5	7	2	4	1	1	-	-	2	3	-	-	3	5	13	3
Insurance Licensees	1	1	-	-	10	13	3	4	2	3	2	3	0	0	18	4
Supervisory Authorities ³	8	11	1	2	5	7	12	15	1	2	1	1	3	5	31	7
Independent Legal Professionals ⁴	1	1	-	-	-	-	-	-	1	2	1	1	3	5	6	1
Remote Gaming Companies ⁵	-	-	1	2	-	-	-	-	-	-	3	4	3	5	7	1
Casino Licensees ⁶	-	-	-	-	-	-	-	-	-	-	-	-	1	2	1	-
Trustees & Fiduciaries	-	-	-	-	1	1	5	6	2	3	3	4	2	3	13	3
Real Estate Agents	-	-	-	-	-	-	1	1	-	-	-	-	2	3	3	1
Accounting Professionals ⁷	1	1	1	2	1	1	2	3	4	6	-	-	4	6	13	3
Regulated Markets ⁸	-	-	-	-	-	-	-	-	1	2	-	-	3	5	4	1
Company Service Providers ⁹	-	-	-	-	-	-	-	-	-	-	2	3	3	5	5	1
Others	-	-	-	-	-	-	-	-	-	-	-	-	4	6	4	1
Total	76	100	46	100	75	100	78	100	63	100	69	100	63	100	470	100

²This refers to all financial institutions licensed under the Financial Institutions Act, Chapter 376 of the Laws of Malta - listed as *non-bank financial institutions* in previous FIAU annual reports.

³Contained within the broader term *Regulatory Authorities* in previous FIAU annual reports.

⁴Contained within the broader term *Professionals* in previous FIAU annual reports.

⁵Contained within the broader term *Casinos/Betting* in previous FIAU annual reports.

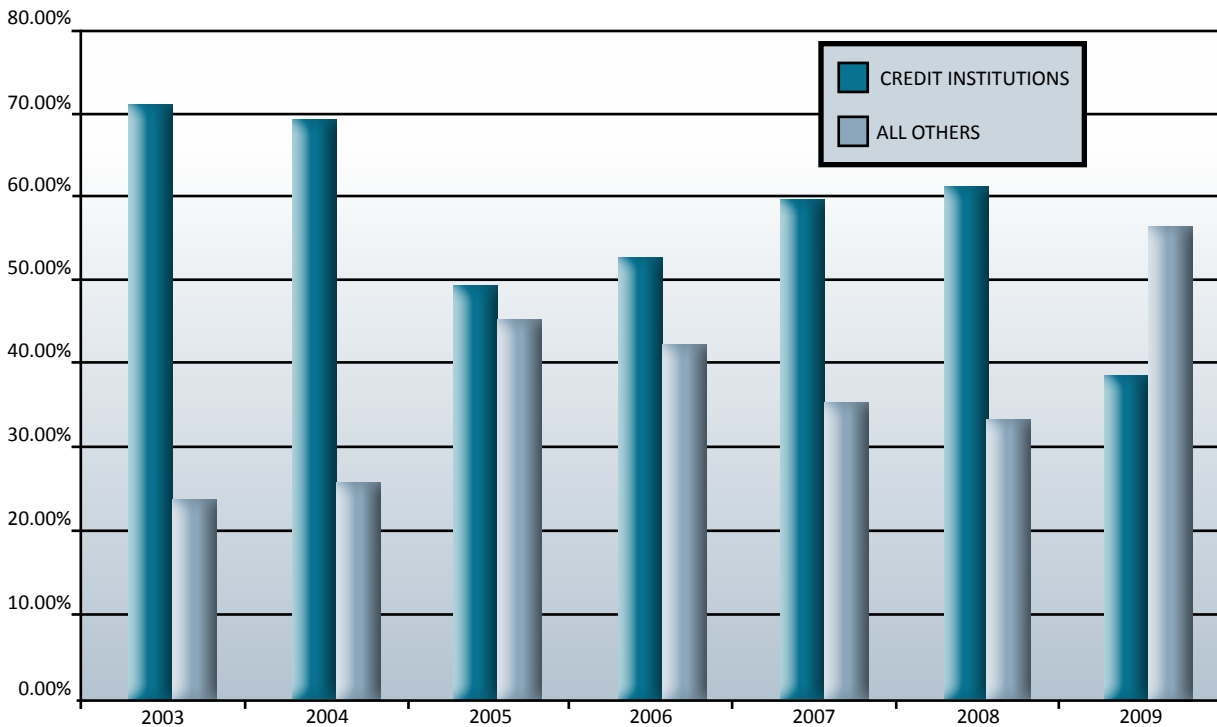
⁶Contained within the broader term *Casinos/Betting* in previous FIAU annual reports.

⁷Contained within the broader term *Professionals* in previous FIAU annual reports.

⁸Contained within the broader term *Regulatory Authorities* in previous FIAU annual reports.

⁹Contained within the broader term *Trustees & Fiduciaries* in the 2008 FIAU annual report.

Chart 3: STRs filed by credit institutions as compared to all other sectors for the years 2003 to 2009



The trend experienced in 2009 was an absolute reversal of the pattern witnessed in previous years. A limited snapshot of the average figure for the past seven years can obscure the largely different picture which has been experienced by the FIAU in the year under review. Indeed reporting from credit institutions has been on a downward trend although between 2004 and 2008 there seems to have been some stabilisation. Thus, with the filing of 26 STRs, credit institutions were responsible for approximately 41 percent of the total STR submissions in 2009. Other categories experiencing a drop in the number of STRs filed with the FIAU during 2009 were financial institutions, insurance business licence holders and trustees and fiduciaries.

The lowest figure for reports by credit institutions was registered during 2009, this being complemented by a stark increase in the diversity of categories from where STRs originated. Worth mentioning are STRs filed by members of the accounting profession (an increase of four STRs), regulated markets (an increase of three STRs), investment services licensees (an increase of three STRs), real estate agents (an increase of two STRs), independent legal professionals (an increase of two STRs) and supervisory authorities (an increase of two STRs). Moreover, other categories of subject persons have kept STR submissions on last year's level or have increased reporting by one STR. These are company service providers, casinos and companies providing remote gaming. This figure gains even more significance when one considers that company service providers have only been subject persons under the law since their introduction in the definition of 'relevant activity' by means of Legal Notice 180 of 2008.

While stating at the outset that it is undoubtedly premature to determine conclusively that there has been a definite change in the sources and trends of reporting entities, a number of observations may still be made. Possibly the most prudent inference emanating from this new development would be that the reduction in the number of STRs submitted by credit institutions could be a direct consequence of greater diligence in internal STR-filtering by credit institutions. Nevertheless, the eventuality of a progressive tactical move by suspected money launderers and terrorist abettors to distance themselves from credit institutions cannot be discarded. Such a hypothetical trend could be attributable to the success of banks in deterring potential launderers by creating a compliance culture within the institutions. Indeed, the marked increase in the number of STRs submitted to the FIAU from other sources tends to support this hypothesis, even though this pattern would need to be proven over time in order for more conclusive determinations to be made.

Without discarding the possibility that money launderers may be shifting their attention from credit institutions to other areas as a result of increased vigilance, it may also be appropriate to remark that the increase in the number of STRs received from other subject persons is a positive signal that awareness of the obligations of subject persons under the PMLFTR to report suspicious transactions is on the increase.

The FIAU will endeavour to further intensify its efforts to achieve a greater level of awareness among all the categories of subject persons listed in the PMLFTR. Such awareness will continue to enhance the quantity and quality of reports. Persons trading in cash on a habitual basis, real estate agents and independent professionals present a particular challenge since the level of awareness in these areas is still relatively low, a difficulty shared by other EU Member States where the number of STRs originating from these entities and individuals also remains comparatively low.

Another development is the fact that the increase over the past years of the gaming business in Malta has started to have an impact on the type of STRs received by the FIAU. Indeed, seven STRs in total over the past two years (2008 and 2009) were received from casinos and remote gaming companies. The needed vigilance for this sector cannot be over-stressed as it remains a potential target for perpetrators. The discussions being held between the FIAU and the LGA with a view to bringing remote gaming license holders within the scope of the PMLFTR are deemed to be a crucial step forward in this area.

Nationality and type of reported persons

Substantiating last year's experience, the number of STRs filed was evenly spread among Maltese and foreign nationals. 26 STRs were, in fact, filed solely in connection with foreign nationals while 28 STRs were filed in relation to Maltese nationals. Nine other STRs concerned both Maltese and foreign subjects.

Further analysis conducted in relation to the contents of STRs revealed that 44 STRs (70 percent) were submitted in relation to natural persons only. Nine other STRs were filed in respect of legal persons while the remaining ten STRs concerned both companies and natural persons. As discussed further in the 'Money Laundering Cases' Section of this report, the STRs analysed in 2009 led the FIAU to request information from several countries. In particular, pronounced collaboration was registered with the UK, Spain, Russia, Italy, Switzerland and Hong Kong.

Predicate offence

The main suspected predicate offence during the year being reviewed has been identified as being fraud accounting for five cases sent to the Police for further investigations. Drug trafficking, organised crime and the living off the earnings of prostitution were identified as the suspected predicate offence in three other cases. In seven cases sent to the Police for further investigation on suspicion of money laundering, the FIAU was not in a position to specifically identify the underlying predicate offence from which illicit proceeds were allegedly being laundered (refer to Table 5A and 5B).

**Table 5A: Suspected Predicate Offences
in cases referred to the Police on suspicion of money laundering (2003 - 2009)**

Suspected Predicate Criminality	2003	2004	2005	2006	2007	2008	2009	Total
Drug Trafficking	2	4	-	4	5	7	1	23
Fraud	2	4	3	2	1	-	5	17
Forgery	-	1	1	3	-	-	-	5
Usury	1	2	2	5	1	4	-	15
Undeclared Income	-	2	4	-	-	4	-	10
Unlicensed Financial Services	4	4	1	-	3	3	-	15
Organised Crime	5	2	1	-	2	2	1	13
Human Trafficking	-	-	1	-	1	2	-	4
Theft	-	-	4	-	-	-	-	4
Illegal Gambling	-	-	1	2	-	1	-	4
Identity Theft	-	-	-	2	1	-	-	3
Living off the earnings of Prostitution	-	-	-	2	-	-	1	3
Phishing	-	-	-	-	1	-	-	1
Unknown	2	1	3	1	6	16	7	36
Total for money laundering cases	16	20	21	21	21	39	15	153

**Table 5B: Cases referred to the Police
on suspicion of funding of terrorism (2003 - 2009)**

Funding of Terrorism	1	-	1	-	1	-	1	4
Grand Total	17	20	22	21	22	39	16	157

International Co-operation

One of the core functions of the FIAU is to exchange information with other FIUs where such information is relevant to the analysis or investigation of financial transactions suspected to be related to ML/FT.

Organised crime, other large profitable criminal activities and financing of terrorism are increasingly being perpetrated on a cross-border basis. In the context of fighting money laundering and terrorist financing from a global perspective, rapid exchange of information and effective international co-operation among the various FIUs have become a prerequisite to success. FIUs are therefore required to exchange information with their counterparts in an expeditious manner in order for the proper analysis of suspicious transaction reports and other disclosures to be effective.

The PMLA empowers the FIAU to spontaneously exchange information and/or give assistance on the basis of bilateral agreements to any foreign body, authority or agency which it considers to have functions equivalent or analogous to it. The FIAU can also exchange information with any foreign supervisory authority which the FIAU deems to have equivalent or analogous functions as a supervisory authority in Malta, subject to such conditions and restrictions as it may determine¹⁰.

Requests for assistance and co-operation

In the light of what has been stated above, the FIAU often seeks the assistance of its foreign counterparts to obtain

information on foreign nationals and companies figuring in cases which are subject to the FIAU's analysis. Such requests are made securely through the Egmont Secure Web and the FIU.Net.

During the year under review, the FIAU requested assistance 83 times from 38 foreign FIU's. This is an increase of 55 requests over the previous year which clearly demonstrates the increased level of co-operation sought by the FIAU in the analysis of cases. This figure also confirms the increase in the cross-border element witnessed in cases being analysed by the FIAU. On 31st December 2009 the FIAU had received 62 replies to the requests made by it, with 21 requests for information still pending. Generally, the level of co-operation can be deemed to be positive, even though the delays of certain responses may be seen to impinge upon the work of the FIAU which, by its very nature, is required to be as expeditious and timely as possible.

With regards to requests for information made to the FIAU by foreign FIUs during the same period, the FIAU received 46 requests for assistance from the FIUs of 32 countries. This figure constitutes a slight increase over the previous year when 44 requests had been received by the Unit. By the end of 2009, the FIAU had provided information in response to 43 of the requests received.

Table 6 provides information regarding the FIAU's international co-operation from the date of its establishment up to 2009. The table provides and compares the number of requests for assistance received by the FIAU and the number of requests that it remitted to its foreign counterparts during the period under review.

Table 6: Requests for co-operation and assistance (2003 - 2009)

Year	Number of requests received by the FIAU	Number of requests made by the FIAU	Percentage difference between requests made by the FIAU and requests made to the FIAU
2003	21	31	47.62%
2004	33	76	130.30%
2005	37	41	10.81%
2006	23	43	86.96%
2007	29	29	0.00%
2008	44	28	-36.36%
2009	46	83	80.43%
Total	233	331	

¹⁰ The PMLFTR define a 'supervisory authority' *inter alia* as the CBM, the MFSA, the LGA, the Registrar of Companies acting under articles 403 to 423 of the Companies Act, the Comptroller of Customs when carrying out duties relating to the cross border movement of cash and other financial instruments and any person appointed to supervise a subject person.

Chart 4 outlines the fluctuations of the ratio of requests made by the FIAU when compared to the requests received by the FIAU, while Chart 5 provides a comparison between the actual figures of requests made and requests received by the FIAU. This latter graph shows that while the requests made by foreign FIUs to the FIAU were on the increase in the past two

years but were previously constant, requests made by the FIAU over the past years appear to follow no constant trend, with 2004 and 2009 being the peak years. In fact 2009 was the year in which the FIAU received the largest number of requests for assistance and was also the year when the FIAU made the most requests for assistance to its foreign counterparts.

Chart 4: Ratio of requests received by the FIAU as compared to requests made by the FIAU

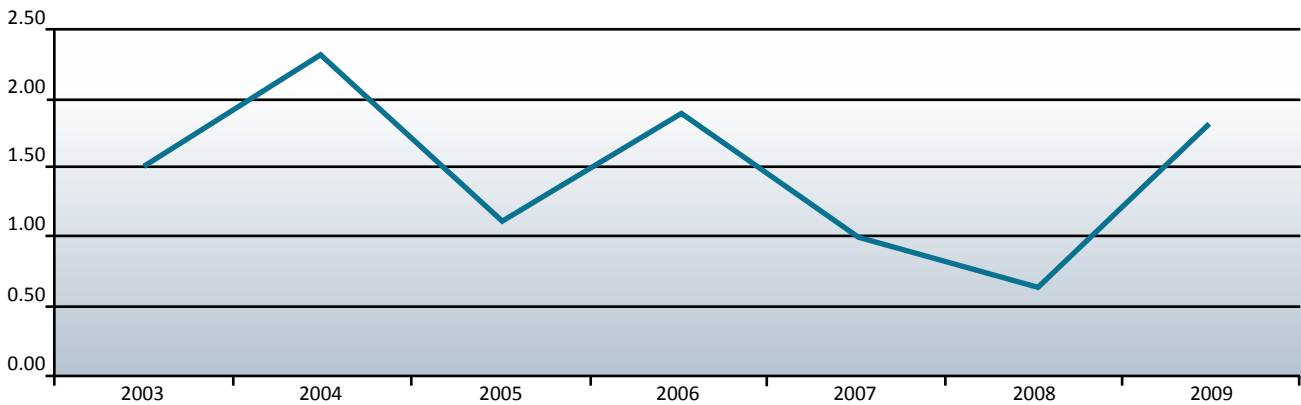


Chart 5: Comparison between requests received and requests remitted

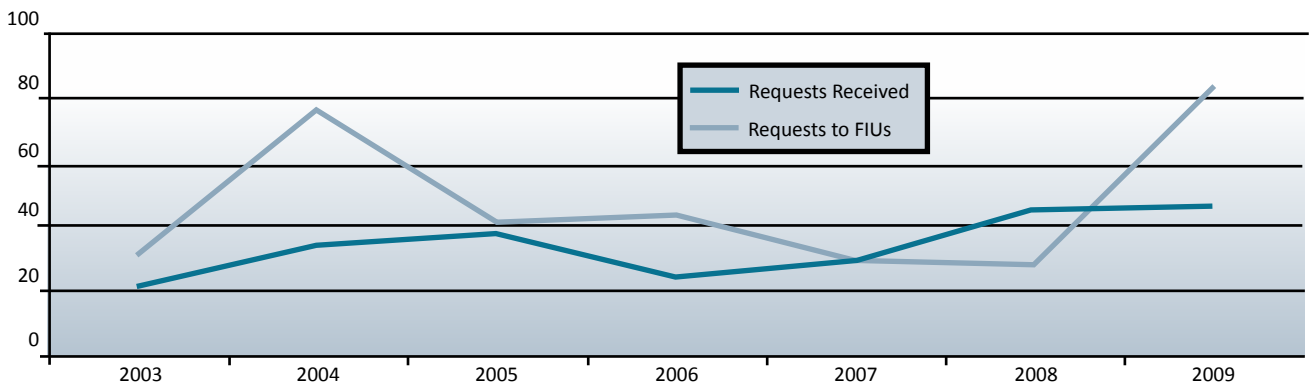


Table 7 provides a country-by-country breakdown of all requests for assistance made by the FIAU and requests made to the FIAU. Most of the FIAU’s interaction was with FIUs from European countries. In fact, mutual exchange of information was recorded to have taken place with the FIUs of 23 EU Member States and a number of applicant countries. The only EU Member States whose FIUs did not interact with the FIAU during 2009 were Greece, Lithuania and Portugal, while the FIUs of the three non-member countries forming part of the European Economic Area did not interact with the FIAU during the same period. The following is a regional breakdown of the requests for assistance:

Requests received by the FIAU:

- 24 requests from 16 EU Member States and EEA countries;
- two requests from one European country not in the EU or the EEA;
- six requests from six MONEYVAL countries not in the EU or the EEA;
- nine requests from four countries in the Americas;
- three requests from three Asian countries ;
- two requests from two African countries.

Requests made by the FIAU:

- 48 requests to 19 EU Member States and EEA countries;
- one request from one European country not in the EU or the EEA;
- eight requests to three MONEYVAL countries not in the EU or the EEA;
- 13 requests to seven countries in the Americas;
- three requests to two African countries;
- nine requests to five Asian countries;
- one request to Australia.

As in previous years, the complexity of the requests for assistance and the level of analysis required to respond to the request in a comprehensive manner varied considerably. When a request for information is received, a certain level of analysis is carried out which may lead the Unit to compile its analytical report and submit it to the Police. In fact, there was one request received by the FIAU in 2009 which led the FIAU to also initiate its own investigation of the case.

Table 7: Requests for co-operation and assistance (2009)

Requests received by FIAU			Requests made by FIAU		
Number	Replies	Jurisdiction	Number	Replies	
1	1	Anguilla			
		Argentina	1	1	
		Australia	1	1	
1	1	Austria	2	2	
2	2	Belgium	1	1	
1	1	Bosnia			
		Brazil	1	1	
1	1	Bulgaria			
		British Virgin Islands	3	3	
		Canada	3	0	
2	2	Costa Rica			
1	1	Croatia			
		Cyprus	1	1	
		Czech Republic	2	2	
1	1	Denmark	3	3	
		Dominica	2	0	
		Egypt	1	1	
		Estonia	1	1	
3	3	Finland			
1	0	France	3	3	
1	1	Germany	3	3	
		Hong Kong	4	4	
		Hungary	1	1	
		Isle of Man	1	1	
		Ireland	1	1	
		Israel	1	1	
1	1	Italy	6	3	
2	2	Bailiwick of Jersey			
		Latvia	1	1	
		Lebanon	1	1	
1	1	Luxembourg	1	1	
1	1	Macedonia			

Table 7: Requests for co-operation and assistance (2009) cont'd

Requests received by FIAU		Jurisdiction	Requests made by FIAU	
Number	Replies		Number	Replies
1	1	Moldova		
		Netherlands	1	1
1	1	Nigeria	2	1
		Panama	1	0
1	1	Poland		
1	1	Romania		
1	1	Russia	6	3
1	1	Serbia		
2	2	Slovakia		
1	1	Slovenia	1	1
1	1	South Africa		
1	1	Spain	6	4
1	1	Sri Lanka		
		Sweden	1	0
1	1	Switzerland	4	4
1	1	Taiwan		
		Thailand	2	0
1	1	Turkey	1	1
		UAE	1	0
5	4	United Kingdom	9	8
3	3	United States of America	2	2
3	2	Venezuela		
		Ukraine	1	1
46	43	Totals	83	63

Memoranda of Understanding

In order to facilitate the exchange of information, the FIAU may, in accordance with the provisions of the PMLA, enter into MoUs with other FIUs to regulate the exchange of such information. This applies even where the existence of such MoUs is not obligatory for the exchange of information. The FIAU, in fact, has entered into a number of MoUs with its counterparts overseas, including the FIUs of Belgium, Cyprus, Latvia and Monaco.

In 2009 the FIAU negotiated and signed a MoU with the FIUs of Romania and Slovenia respectively, with the aim of further enhancing and extending its framework for the exchange of information, even though in terms of law the FIAU can exchange information on its own initiative or when requested without the need for a MoU. The MoUs were both signed by the Director of the FIAU, with the authorisation of the Board of Governors, at the 17th Egmont Plenary held in Doha, Qatar where a record number of more than 50 bilateral co-operation agreements were signed between Egmont members.

In addition to the MoUs entered into with the Romanian and Slovenian FIUs, in 2009 the FIAU also initiated negotiations with the FIUs in Canada, the United Arab Emirates and San

Marino. While negotiations with the FIUs in Canada and San Marino were successfully completed and the MoUs are expected to be signed in the first quarter of 2010, negotiations with the FIU in the United Arab Emirates is still underway.



The signing of the MoU between the Director of FIAU and the Director of OMLP, Slovenia

Compliance Monitoring

Another core function of the FIAU is that of monitoring subject persons in order to ensure that they are complying on an ongoing basis with the obligations under the PMLFTR. Financial and non-financial subject persons are, in fact, required to have policies and procedures in place in order to ensure the effective implementation of the reporting, training, record-keeping, customer due diligence and other obligations set out in the PLMFTR.

The year 2009 was the first calendar year in which the compliance section of the FIAU was fully functional. Having an up-and-running compliance section means that for the first time since its establishment, the FIAU has staff dedicated solely to ensuring that the PLMFTR obligations are being followed in practice.

Although the FIAU is still at the stage of building its internal compliance set-up, huge steps have already been made in this area with focused inspection visits being conducted during the year, an increased participation in on-site examinations conducted on the FIAU's behalf and a stronger emphasis being placed on the interaction with compliance staff of the MFSA and the LGA, particularly in the area of remedial action following compliance visits. The Unit has also endeavored to collect relevant information from various sources in connection with subject persons in order to create a database which will enable the Unit to exercise its off-site functions more effectively and efficiently. Studies were also undertaken to assess the most effective way in which information can be obtained periodically from subject persons' MLROs with a view to introducing such periodical reporting during 2010.

Another important development was the setting up of a procedure after discussions held with the MFSA whereby applicants in the process of obtaining a license to operate as a credit institution or a financial institution in or from Malta, would meet representatives of the FIAU to explain the proposed set-up and the compliance procedures to be introduced. This development enables the FIAU to be in a position to assess the structures proposed for compliance with the relevant legislation before the operations actually commence.

The FIAU also reviewed the questionnaires and check-lists used by the MFSA and the LGA in the course of on-site examinations and has made a series of recommendations most of which were taken on by the respective authorities to bring these documents in line with the 2008 amendments to the PMLFTR.

On-site examinations and off-site assessment

Compliance monitoring in relation to subject persons is undertaken via on-site examinations and off-site assessment. The PMLA provides that the FIAU may also request a supervisory authority to carry out on-site examinations on

behalf of the Unit. In this regard the FIAU had entered into co-operation agreements with the MFSA as the regulator of the financial sector, and with the LGA in its regulatory role within the gaming sector. Where the FIAU does not conduct the on-site examination itself, the examination can be carried out in its entirety by the relevant supervisory authority or with the assistance of the FIAU.

Under the terms of the written agreements entered into by the FIAU with the MFSA and the LGA, on-site examinations were planned and carried out by both supervisory authorities during the year under review. The year 2009 was also the first year in which the FIAU itself conducted focused on-site examinations in relation to subject persons licensed by the MFSA.

Visits conducted by the FIAU and the relevant supervisory authorities aim to verify that subject persons are in practice fulfilling their duties under the regulations on anti-money laundering and funding of terrorism and that such subject persons are following the procedures in place in respect of:

- customer due diligence measures
- record-keeping
- internal and external reporting
- provision of training to employees.

Once an on-site examination is conducted, the relevant supervisory authority draws up a report outlining its findings and forwards it to the FIAU. The Unit then carries out its own evaluation on the findings set out in the compliance report. If a subject person is found to be in breach of the PMLFTR, the subject person is informed of such breach so as to rectify its position and implement corrective measures. Implementation of such corrective measures eventually forms part of follow-up examination procedures.

During 2009, the total number of on-site examinations conducted was 47. Table 8 shows the breakdown of the on-site examinations by subject persons. This figure is somewhat lower than the 60 on-site examinations carried out in 2008.

Table 8: On-site AML/CFT examinations conducted by the FIAU and supervisory authorities on its behalf (2009)

Subject Persons	Number of visits
Casinos	2
Credit Institutions	4
Financial Institutions	2
Insurance Brokers	7
Insurance Principals	2
Tied Insurance Intermediaries - Companies	4
Tied Insurance Intermediaries - Persons	5
Investment Services Licence Holders	19
Trustees and Fiduciaries	2
Total	47

While the MFSA conducted most of these on-site examinations as part of its more comprehensive prudential on-site inspections, the FIAU carried out a focused AML/CFT visit to a credit institution and assisted the MFSA in on-site examinations of a further two credit institutions. The FIAU also carried out focused visits in relation to two casinos with the assistance of the LGA.

Through the compliance reports received by the FIAU from the MFSA and the FIAU's focused visits, a number of shortcomings were identified which were mainly related to the lack of written procedures, the procedures not being fully compliant with the PMLFTR, the failure to implement internal reporting procedures and inadequate AML/CFT training to employees. In consultation with the MFSA, the subject persons concerned were required to implement corrective measures.

With regards to off-site assessments, and following discussions with the MFSA, the FIAU has undertaken the responsibility of checking the procedures' manuals of subject persons forwarded by MFSA. This task has been undertaken in order to ensure that the requirements of the PMLFTR are being taken into consideration by subject persons.

Money Laundering Cases

Court judgements

The year 2009 was relatively eventful on the judicial front with respect to money laundering cases, especially when compared with the number of judgements delivered by the Maltese courts in this particular area in previous years. This clearly indicates that the collective effort by prosecutors, law enforcement and judicial authorities in recent years to focus more energy and resources on the investigation and prosecution of money laundering cases, is producing concrete results.

It should be noted that the investigation and eventual prosecution of two¹¹ out of the five cases presented below, were initiated on the basis of an analytical report drawn up by the FIAU in relation to a number of STRs. In one particular case¹², the FIAU's input, in the form of a comprehensive analytical report, played an essential role in the investigation and eventual success in the prosecution of the accused.

¹¹ Republic of Malta vs Stivala and Republic of Malta vs Eduardo Navas Rios.

¹² Republic of Malta vs Eduardo Navas Rios.

An analysis of the judgements delivered in the year under review reveals a number of interesting points. The first point to be made, which highlights the importance of international co-operation between FIUs and law enforcement authorities, is that three cases involved non-Maltese nationals. It should be noted that all three cases were related to drug trafficking, which happened to be the predicate offence from which the proceeds that were laundered derived.

In those cases which involved a Maltese national, one of the predicate offences was the management of a brothel, while in the other case the predicate offence did not emerge very clearly from the judgement.

It is also interesting to highlight the fact that in three cases, proceedings were instituted against the accused solely on a charge of money laundering. This shows the growing willingness of law enforcement and prosecutors to investigate and prosecute the offence of money laundering as an offence in its own right rather than simply as an additional charge to the predicate offence.

Moreover, the seriousness and severity with which the judiciary deals with offences of money laundering is evidenced by the nature of punishments meted out. In fact, the courts handed down considerably long prison sentences as well as hefty fines in three cases. There was however only one case where the court ordered the confiscation of the laundered proceeds together with all the movable and immovable property of the defendant.

Before assessing the court decisions delivered in 2009 in more detail, it is worth noting that, in addition to the proceedings pending before the courts from previous years, the Police have brought eleven separate charges of money laundering during the course of 2009.

**The Police
Vs
Emmanuel Bajada**

**Court of Magistrates as a Court of Criminal Jurisdiction
21st May, 2009**

It is worth noting in this case that the prosecution of the money laundering charge and of the underlying offence, from which the laundered proceeds originated, were carried out in separate proceedings.

The arguments of the defence and the prosecution:

The defendant pleaded guilty to the charges of money laundering brought by the prosecution. Despite the plea of

guilt, the defence counsel argued in favour of a suspended sentence similar to the sentence awarded in the judgement handed down by the court in **Police vs. Carmen Butler**¹³. On the other hand, the prosecution insisted that the punishment be awarded on the lines of the judgement delivered by the court in **Police vs Ariam Edilberto Lore**¹⁴.

The court's reasoning:

The court considered the facts of the case and noted that the defendant had been involved in the running of two guest houses used for the purposes of prostitution. Such activities only lasted a few months as the police intervened and arrested all the persons involved. The court further noted that the proceeds originating from such illegal activities amounted to one thousand and eight hundred Maltese Liri [Lm1,800 (€4,200)], half of which were used to pay the monthly rent of one of the guest houses.

The court's sentence:

Having considered such facts, the court made reference to the *Butler* case and stated that although in that case there were particular circumstances that applied to the accused and her daughter, the amount of money which was involved was much higher than the money involved in the case under examination.

Moreover, the court noted the fact that the defendant had pleaded guilty and extended his collaboration to the police in the investigation of the case.

The court also took into consideration the fact that the defendant was undergoing separate proceedings in relation to his involvement with the guest houses, and therefore it was of the opinion that the defendant should not be sentenced twice in relation to crimes under the White Slave Traffic (Suppression) Ordinance, Cap. 63 of the Laws of Malta.

In view of such considerations, the court sentenced the defendant to a term of imprisonment of two years suspended for four years and a fine of fifty thousand Euro (€50,000).

Both the defence and the prosecution appealed from the judgement.

¹³ Court of Criminal Appeal, 26th February 2009.

¹⁴ Court of Magistrates, 27th November 2008.

**The Police
Vs
Emmanuel Bajada**

**Court of Criminal Appeal
24th September, 2009**

Submissions of the defence:

The defendant argued that the fine imposed by the court of first instance was excessive in view of the amount of money that was laundered. Reference was made to the *Butler* case, which involved the laundering of almost fifty six thousand Euro (€56,000) and where the court had awarded a fine of only around six thousand Euro (€6,000). Moreover, a reduction in the sentence was requested in view of the fact that the defendant had admitted to the charges.

Submissions of the prosecution:

The prosecution, on the other hand, requested the court to impose a longer term of imprisonment, as well as to order the confiscation of all the objects related to the offence and all such other property of the defendant in line with Article 3(5)(a),(b) and (c) of the PMLA.

The prosecution held that in its determinations the court had failed to examine the law on money laundering and the elements of the offence in the light of the evidence that was provided. The court had based its judgement on a previous court of appeal judgement where the facts of the case were completely different.

The prosecution held further that the defendant had admitted to committing the offence only because he had been caught red-handed. Furthermore his co-operation with the police had nothing to do with the case of money laundering, but with the offences under Cap. 63 of the Laws of Malta.

The prosecution also argued that in a previous case of money laundering **Republic of Malta vs Maria Abela**¹⁵, the court had sentenced the defendant to imprisonment, notwithstanding the fact that the defendant had admitted to the charges brought in her respect.

Moreover, the prosecution held that the fact that the defendant was undergoing separate proceedings should not have impeded the court from imposing an equitable punishment. In fact, the prosecution held that in accordance with Article 2(2)(b) of the PMLA a person can be separately charged and convicted of both a money laundering offence and of an underlying criminal activity from which the proceeds, in respect of which he is charged with money laundering, derived.

The court's deliberations:

Making reference to various judgements the court held that the principle of reduction of a sentence where the accused pleads guilty does not apply where the accused had been caught red-handed.

The court held that the arguments made by the defence in its appeal to reduce the sentence in view of a more lenient sentence awarded in previous cases of money laundering were not convincing.

The court's decision:

In view of the above considerations, the court dismissed the pleas of the defence and the prosecution and confirmed the sentence awarded by the court of first instance. However, the court ordered the confiscation of the laundered proceeds as well as all the other movable and immovable property of the defendant.

**The Republic of Malta
Vs
Noor Faizura Azura Binti Md Lias**

**Criminal Court
12th October, 2009**

Facts of the case:

The defendant was detained at the airport on arrival from Spain and was found to be carrying illegal substances. From further investigations it transpired that the defendant had previously travelled on several occasions to deliver drugs to persons in Malta. On all such occasions the defendant had personally carried the money which was paid for the delivery of the drugs, back to Spain. In view of this, the prosecution charged the defendant with, *inter alia*, the offence of money laundering.

The court's sentence:

The defendant pleaded guilty to all the charges, including money laundering, and the court condemned her to a term of imprisonment of fifteen years and to the payment of a fine of seventy thousand Euro (€70,000), which fine would be converted into a further term of imprisonment of two years, in default of payment.

¹⁵ Criminal Court, 29th March 2007.

**The Republic of Malta
Vs
Eduardo Navas Rios**

**Criminal Court
12th October, 2009**

Facts of the case:

A series of investigations indicated the possibility that the defendant, together with his two cousins, could have been involved in the transfer of substantial sums of money from Malta to Panama, which money was suspected to have an illicit origin. In the course of the investigations, it transpired that the defendant had given a sum of money to his girlfriend, which he asked her to deposit in her bank account.

The defendant admitted to the police that such sum of money had been stolen from one of his two cousins, with the knowledge that the money had originated from illicit activities. After stealing the money the defendant went to Panama and used the stolen money to rebuild his mother's house, as well as to start a car-importation business.

Later the police established that the defendant had a permit to work in Malta. However, such permit had only been obtained a few months before the money was deposited by the defendant's girlfriend in her account and hence the time to earn such a relatively large amount of money in a legitimate manner had been too short. The nature of the defendant's jobs and income in Malta reinforced the police's conviction that such money derived from an illegal source.

Other transactions carried out by the defendant, which included relatively small purchases and transfers of sums of money to Panama, were also discovered by the police.

In the light of such findings the defendant was accused of having committed the offence of money laundering.

The defence:

The defence, in one of its pleas, claimed that the Attorney General's charge of money laundering on the basis of the dire financial situation of the accused and the illicit origin of the money transferred to Panama did not reflect the spirit of the law. In short, the defence claimed that the mere use of proceeds originating from criminal activities does not constitute money laundering. There must be the specific intention of the perpetrator to launder the proceeds derived from a criminal offence, otherwise the commission of any criminal offence from which some benefit is derived would automatically give rise to the offence of money laundering. This is because money laundering is a separate and distinct offence from the predicate offence and the predicate offence is merely one of the constituent ingredients of the offence of money laundering.

In response to such plea, the Attorney General countered that the facts outlined in the bill of indictment all indicated that the accused had laundered the money in question and there was a clear indication that the defendant had the intention of laundering the money all along. The Attorney General further stated that the definition of money laundering in the PMLA is very wide and presents numerous scenarios which gave rise to the offence of money laundering.

Determination of the court:

In view of the fact that the case is still to be brought before a trial by jury, the court did not deliberate on the facts of the case. The court made reference to Article 449(5)(b) of the Criminal Code which refers to the case where "the fact stated in the indictment does not constitute, in substance, the offence stated or described in such indictment".

The court, after quoting extensively from case-law, concluded that the facts as described in the indictment did in fact constitute the offence as charged and on the contrary considered that the requirements of the law had been adhered to and that there was no case for annulling the bill of indictment. Hence, the plea of the defence counsel was rejected.

The case was adjourned *sine die* to be heard before a jury.

**The Police
Vs
Dayang Sakienah Binti Mat Lazin**

**Court of Magistrates as a Court of Criminal Judicature
23rd November, 2009**

One of the salient points in this case is the reference by the court to the provisions of Article 2(3)(a) of the PMLA, which states that a person may be convicted of a money laundering offence even in the absence of a judicial finding of guilt in respect of the underlying criminal activity.

Facts of the case:

The defendant flew to Spain from Malaysia after accepting a proposal to carry packages from Spain to other European and African countries in return for money. Soon after her arrival the defendant was requested to deliver two packages to Malta. When the packets were delivered she returned to Spain with a sum of thirty six thousand Euro (€36,000), which was the sum paid by the person in Malta receiving the packages.

The defendant was then requested to deliver two other packets to Malta. The second time she was paid the sum of six thousand Euro (€6,000), which she was instructed to send to Argentina via Western Union. After effecting the transfer the defendant was intercepted by the Police who

took her into custody. She was accused of, and eventually charged with, forming part of an organisation with a view to committing a criminal offence, conspiring with other persons to commit a crime in Malta and money laundering.

Reasoning of the defence:

The defence claimed that the defendant was not aware that the packages that she had delivered contained illegal substances.

Additionally, with respect to the charge of money laundering, the defence claimed that the prosecution failed to prove an underlying offence. The defence further claimed that the prosecution failed to show a link between the criminal activity being alleged and the money taken out of Malta and transferred by the defendant.

Reasoning of the court:

The court held that in relation to a charge of money laundering the prosecution does not have to prove a conviction in respect of the underlying criminal activity but must show a link between the laundered assets and any the criminal offence. The court referred to a previous judgement, **Republic of Malta vs. John Vella**¹⁶, where the court had held that the prosecution may charge a person with money laundering even in the absence of a conviction in relation to the underlying offence. However, the prosecution must show a nexus between the underlying criminal activity and money laundering.

In the case under examination the court held that there was no doubt that the money that the defendant personally carried and sent via Western Union on the two separate occasions was received by the defendant after she had delivered two packages. Additionally, the defendant knew with certainty that the persons she was working for trafficked in drugs and that she was trafficking drugs on their behalf. In fact, when the defendant had arrived in Spain the first time, she was informed by another Malaysian girl involved in the racket that she would be delivering drugs.

The court was therefore satisfied that there was enough evidence to show that the money received by the defendant after she delivered the packets originated from illicit activities and that by personally carrying and transferring the money the defendant had laundered the said money.

Furthermore, the court held that once the prosecution proved that there was a link between the underlying offence and the laundering of the money, the burden of proof shifted on the defendant to show that the money had a lawful origin. However, the defendant produced no such evidence.

In the light of the above considerations, the court was satisfied that the charge of money laundering brought against the defendant had been sufficiently proven.

The court's sentence:

In deciding the penalty, the court considered the gravity of the offences and the amount of money involved, as well as the personal circumstances of the defendant, her age and her clean criminal record. The court found the defendant guilty of the charges brought against her, including the charge of money laundering, and condemned her to six years imprisonment and to the payment of a fine of forty two thousand Euro (€42,000), which fine would be converted to a further term of imprisonment of eighteen months if not paid within six months.

**The Republic of Malta
Vs
Vincenzo Stivala**

**Criminal Court
16th December, 2009**

This case was decided pursuant to a trial by jury. The jury found the defendant not guilty; however a close analysis of the judgement does not reveal which arguments put forward by the defence had more of an impact on the jury's verdict.

Facts of the case:

The defendant deposited an endorsed cheque amounting to twenty two thousand Malta Liri [Lm22,000 (€51,246)] in his daughter's account which he operated on her behalf. The cheque had been drawn in his friend's name but his friend could not deposit the cheque himself as he was having marital problems. The defendant was aware that the provenance of the cheque was illegal.

The prosecution argued that by depositing the cheque, the defendant had illegally converted the cheque and was therefore guilty of money laundering. The prosecution also charged the defendant with the illegal provision of financial services without the necessary licence issued in accordance with the Financial Institutions Act (Cap. 376 of the Laws of Malta).

Decision:

In view of the jury's verdict, which found the defendant not guilty on the basis of the evidence brought before it, the court acquitted the defendant.

¹⁶ Court of Criminal Appeal, 29th November, 1999.

3. MANAGEMENT AND TRAINING

The Board of Governors

The Board of Governors met regularly in 2009 with ten meetings being held during the year. Discussions were held on various matters including issues related to policy, internal matters, international developments, participation of the FIAU in international fora, co-operation with supervisory authorities, the development of the structures of the Unit, co-operation with foreign FIUs and the need for legislative updates in the light of Malta's international obligations.

The Director

The Director continued to oversee the implementation of the restructuring plan agreed upon by the Board. The setting up of an Administration Section and the consolidation of the Compliance Section were the main priority areas for the Director during the year, together with the introduction of new internal procedures, IT resources and working methods.

In implementing the policies established by the Board, efforts were made to strengthen the collaboration of the FIAU with supervisory authorities, to enter into bilateral MoUs where the need was identified, to strive to resort more frequently to assistance by foreign FIUs in the course of the financial analyses, to invest in improving the tools being used in the course of financial analyses, to participate actively in the working groups, meetings and sub-committees of the Egmont Group, MONEYVAL, the CPMLFT and the FIU Platform and to strive to increase the level of assistance, training, feedback and guidance being provided to subject persons.

Resources

During 2009 the FIAU filled the newly-created position of Administrative and IT Officer and recruited staff to fill the vacant positions of Financial Analyst, Compliance Officer and Administrative Support Officer.

The process for the recruitment of a second Compliance Officer was initiated and it is expected that this recruitment will be completed in early 2010, thus bringing the staff complement of the FIAU up to nine.

Training

Significant efforts were made by the Board of Governors, the Director and staff of the FIAU to contribute towards the increased demand in guidance and assistance to subject

persons in adhering to their legal obligations. In fulfilling this commitment, FIAU representatives participated in various seminars and training sessions addressing the financial and non-financial sector. Indeed, staff of the FIAU and members of the Board of Governors participated as speakers in awareness sessions organised by the industry, by supervisory authorities in conjunction with supervisory bodies and by international bodies.

In April 2009 a two-day training seminar was organised by the MFSA in collaboration with the FIAU for staff of competent authorities involved in AML/CFT matters. Two speakers from the Financial Services Authority in the United Kingdom addressed the audience, which included representatives of the judiciary, including the Chief Justice, the Police, the Office of the Attorney General, the MFSA, the LGA, the CBM and various other Government departments, agencies and authorities. The seminar was chaired by Dr. Anton Bartolo, who also made a joint presentation with the Director of the FIAU on the Maltese legal framework. The Chairman of the FIAU delivered an introductory speech on the first day of the seminar.

The Director participated in the KPMG Biennial Financial Services Conference in October where he delivered a presentation on AML/CFT trends, vulnerabilities and risks in Malta. He was also one of the main speakers at an afternoon seminar organised by STEP (Malta) in November which was attended by a number of licensed trustees and fiduciaries, financial services practitioners and members of the accounting and legal profession.

During the same month, two landmark events were hosted in Malta. The first was the ICC Commercial Crime Services' International Financial Crime Forum which was held in Malta for the first time. This event, which was organised by the ICC-CIS in collaboration with the MFSA and the FIAU, was attended by a number of delegates from Europe, the Middle East and Asia, in addition to a good turnout from local credit and financial institutions, practitioners, representatives from public entities and members of the judiciary. The Chairman of the FIAU was invited to open the forum while the Director gave a presentation dealing with compliance monitoring from a regulatory perspective.

The second important event hosted by Malta in November was the FIU.Net workshop which is dealt with under Section 5.

In November, the Deputy Chairman also delivered a presentation in the course of the 'KPMG AML Roundtable V' forum of compliance practitioners and MLROs on the impact of international developments on the Maltese framework.

4. OTHER DEVELOPMENTS AND INITIATIVES

Legislative Developments

Amendments to the PMLFTR

The PMLFTR were amended by virtue of Legal Notice 328 of 2009 issued on 6th November 2009.

The primary objectives of this amendment were twofold. The first objective was to extend the scope and application of the PMLFTR to persons carrying on the business of affiliated insurance and cell companies carrying on business of insurance. The second was to limit the current scope and application of the Regulations in the case of collective investment schemes exclusively to those collective investment schemes marketing their units or shares.

The amendments were carried out for a number of reasons, following consultations with the MFSA. With respect to affiliated insurance companies and protected cell companies, in view of the fact that such entities had already been considered as subject to AML/CFT requirements in accordance with Insurance Business Rule 6 issued by the MFSA, it was deemed advisable by the FIAU to regularise the position and thus include these entities among the persons subject to the PMLFTR.

The amendment concerning collective investment schemes had been deemed necessary in order to better harmonise the PMLFTR to Directive 2005/60/EC¹⁷. This in view of the fact that while the Directive makes a reference to collective investment schemes marketing their units or shares, the PMLFTR simply referred to collective investment schemes under the Investment Services Act (Cap. 370 of the Laws of Malta) without including the qualification set out in the Directive.

Proposed amendments to the PMLA

Draft amendments to the PMLA have been included in a Bill amending the Criminal Code and other Acts of Parliament which is expected to be published in early 2010. The principal change being proposed is the introduction in the PMLA of a provision empowering the Attorney General to apply to the Criminal Court for the issuance of a monitoring order where a request is received from a foreign judicial or prosecuting authority. Another provision being proposed would

enable the FIAU itself to require a subject person to monitor an account where a suspicion exists that a subject person is being used for the purposes of money laundering or the funding of terrorism. Any information communicated to the Unit under this provision would then be used by the Unit for the purposes of exercising its analysis and reporting function under the Act.

These draft amendments were drawn up to further align the Maltese legislation with Malta's commitments under the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism which was signed by Malta on 16th May 2005 and ratified on the 30th January 2008.

The Joint Committee on the Prevention of Money Laundering and Funding of Terrorism

The JCPMLFT is an *ad hoc* committee set up to provide a forum for discussion and exchange of views with a view to develop effective anti-money laundering standards and practices in compliance with the PMLFTR.

The Committee is composed of representatives of associations and bodies representing subject persons, together with representatives of the Police, the Office of the Attorney General, the MFSA and the CBM. The JCPMLFT, which meets under the chairmanship of the Director of the FIAU, is not a policy-making body. The terms of reference of the JCPMLFT stipulate that the Committee's primary role is to discuss matters of interest in the development of the anti-money laundering and funding of terrorism regime and to make relevant recommendations to the FIAU.

In 2009, the meetings of the Committee were characterised by a number of discussions on a variety of topics of interest to all stakeholders. A subject that was discussed on more than one occasion was the extent of specific feedback to be provided by the FIAU to subject persons making a report and the importance of the provision of feedback to the FIAU by the Police.

The members of the Committee continued to share their knowledge and best practices in their specialised area

¹⁷ Directive 2005/60/EC of the European Parliament and of the Council of 26th October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. *OJ L309, 25.11.2005, pp 15-36.*

of competence. In fact, a number of presentations were delivered to the Committee, which included presentations by the respective representative of the Malta Institute of Accountants, the Lotteries and Gaming Authority, the Malta Bankers' Association, the Malta Insurance Association, the MFSA, and the Malta Funds Industry Association. The presentations mainly dealt with the ML/FT risks and vulnerabilities of the respective sector and the measures adopted to circumvent risks and to address vulnerabilities.

Another matter which was discussed at length during the course of the meetings of the Committee was the determination of the most expedient way of providing guidance in relation to the PMLFTR to all subject persons through the updating of guidance notes currently in force and the issuance of new guidance notes for the unregulated sectors. The FIAU's position that the guidance notes would be divided into two parts, with one part providing general guidance to all subject persons on the provisions of the PMLFTR and a second part providing sector-specific guidance, was communicated to all members. The general part, which is being completed by the FIAU, will act as a blueprint for the sector-specific guidance, to which the members of the Committee agreed to contribute.

FATF and MONEYVAL Statements

A number of public statements were issued by both the FATF and MONEYVAL on jurisdictions and other areas that raised ML/FT concerns in a similar vein to the statements issued in previous years.

The main concern for the FATF remained Iran, with its reluctance to meaningfully address the ongoing and substantial deficiencies in its AML/CFT regime, especially with respect to terrorist financing. Although the FATF welcomed Iran's initial engagement with the international community, it called on members and other jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran. In addition to enhanced scrutiny, the FATF urged its members and other jurisdictions to apply effective counter-measures to protect their financial sectors from ML/FT risks emanating from Iran.

The FATF welcomed the commitment and progress made by Uzbekistan, Pakistan, Turkmenistan, and Sao Tome and Principe, with respect to their AML/CFT regimes, urging them to continue addressing deficiencies and to work closely with the international community on these issues.

MONEYVAL's jurisdiction of concern up to the third quarter of 2009 remained Azerbaijan. Indeed, two statements were issued in 2009 which, while highlighting the areas of concern in Azerbaijan's AML/CFT regime, welcomed the progress

that was achieved. MONEYVAL continued monitoring Azerbaijan's progress and in December issued a statement noting that Azerbaijan had created and implemented the legislative base to counter ML/FT. Accordingly, MONEYVAL withdrew its previous public statements and the advice to financial institutions to monitor closely transaction with institutions in Azerbaijan.

The FIAU took immediate steps to ensure that all FATF and MONEYVAL statements be brought to the attention of subject persons. All such statements were, in fact, prominently placed on the FIAU's website and circulated to all credit and other financial institutions individually with a note to take measures to ensure compliance thereto. As to the other persons and entities falling within the scope of the Maltese AML/CFT laws, the FIAU forwarded the statements to all the representatives of subject persons sitting on the JCPMLFT. The members of the Committee were asked to circulate these statements and to bring the contents therein to the notice of their members.

5. PARTICIPATION IN INTERNATIONAL FORA

The FIAU once again participated actively in discussions and projects undertaken within the committees and groupings in which the FIAU is a member. This Section contains an overview of the international meetings in which the FIAU was involved during the course of 2009.

EU Committee on the Prevention of Money Laundering and Terrorist Financing

The CPMLTF, a committee established in terms of Article 41 of the EU Third Anti-Money Laundering Directive with the objective of assisting the EC in the implementation of the Directive, met five times in Brussels during 2009.

One of the topics that featured consistently on the agenda of the Committee in the first two quarters of 2009 was the adoption of an EU approach to counter-measures against Iran. Following the February statement of the FATF calling on members and other jurisdictions to adopt counter-measures to protect their financial systems from the ML/FT threats emanating from Iran, a number of EU Member States approached the EC to propose the adoption of a possible common approach between all EU Member States with respect to such counter-measures.

A discussion was initiated on this matter, during which a number of institutional and legal issues associated with such an approach were brought to the fore by Member States, even though the general trend remained that it would be desirable for a common EU approach to be sought for reasons of efficiency, as well as to ensure a level-playing field. It is expected that the discussion will continue in the coming meetings with the aim of determining whether the basis for a recommendation to this effect could be considered.

Another issue which featured prominently during the meetings related to tax crimes as a predicate offence for money laundering. The issue was put forward by the EC in view of the FATF preparations for the 4th round of evaluations. The discussion on tax crimes and money laundering is also linked with the ongoing discussions of the G20 leaders.

In view of the fact there is a lack of consistency as to whether tax offences are to be considered to be a predicate offence for money laundering purposes, the EC circulated a questionnaire among all the Member States to gather information on the approach taken with respect to this crime/offence.

It emerged that in a large majority of Member States, including Malta, tax crimes are generally considered to fall within the definition of a predicate offence. However, despite the fact that tax crimes are considered to be predicate offences, very few Member States have reported pending court cases and convictions of money laundering where the predicate offence was a tax offence.

In the course of its meetings, the CPMLTF briefed its Members on the FATF activities and dedicated time in preparation for the FATF plenary meetings. Members agreed to report on an ongoing basis on the state-of-play of their national transposition of the EU Third AML Directive (2005/60/EC).

FIU.NET Project

In the first quarter of 2009, the FIAU, with the assistance of FIU.NET Bureau, installed the hardware and software necessary for the Unit to be linked to FIU.NET, a secure network for the efficient exchange of sensitive information related to ML/FT between the FIUs of the EU.

In view of the FIAU's implementation of FIU.NET, two representatives of the FIAU were invited to attend a workshop, organised by FIU.NET Bureau in the Hague in January, to familiarise themselves with the functions and the particular features of FIU.NET. Following the workshop, a representative of the FIU.NET travelled to Malta in May to provide further training to the officers of the FIAU.

Following the May training session, the FIAU was informed by FIU.NET Bureau that Malta had been selected as the destination for the second FIU.NET workshop. It was agreed that the workshop would be held in November and the FIAU played a key role in the organisation of the workshop. The workshop, which was opened by the Director of the FIAU, was attended by sixty representatives from the FIUs of EU Member States, including Malta, representatives from applicant countries as well as a number of representatives from the FIU.NET Bureau.

During their brief stay in Malta, two representatives of the FIU.NET Bureau, including the Director of the Bureau Mr. Harold Koppe, held separate meetings with representatives of the FIAU and the Minister of Finance, the Economy and Investment.

EU FIU Platform

The EU FIU Platform is an informal group set up in 2006 by the EC which brings together the FIUs of the Member States. Its main purpose is to facilitate co-operation among the FIUs. The EC participates in the Platform and provides support. The FIAU participated actively in all meetings of the FIU Platform held during 2009.

The discussion on AML/CFT statistics within the EU, which had been initiated in 2008, continued in the course of the 2009 meetings. With a view to facilitating the collection of data, the EC requested Member States to provide a contact point for each jurisdiction. Each Member State was then requested to participate in the second collection of data launched by Eurostat. A report containing findings based on the data collected is expected to be published in 2010 after a revision of data is made by Member States so as to remedy identified discrepancies.

A critical analysis of the implementation of Council Decision 2000/642/JHA was also undertaken during the course of the meetings held in 2009. Notwithstanding the fact that a report released in December 2007 by the EC shows that Member States are largely considered to be compliant with the key requirements of the Council Decision, a need for more co-operation in practice was identified. Member States were requested to propose ways in which such co-operation is to be achieved. The discussion is still ongoing and Member States are expected to come up with concrete proposals in 2010.

In the final meeting of the platform a discussion on the future structure and organisation of the meetings of the platform was initiated. A number of proposals for the re-structuring of the platform were put forward and Member States were asked to submit their comments and provide further suggestions. These proposals will be further discussed in future meetings.

The Egmont Group

The FIAU has been a member of the Egmont Group since 2003. The Egmont Group was first set up in 1995 in Belgium as a small group of FIUs seeking to explore ways of co-operation among themselves. The Group has now grown to incorporate within it 116 FIUs from around the world.

The Egmont Group is evolving towards a structure of independent units working closely together to strengthen not only their own countries' AML/CFT regime, but to strengthen the international set-up of resistance to money launderers and terrorist financiers. This international network of FIUs aims at improving the interaction among FIUs in the areas of communications, information sharing and training coordination through the creation of systems to facilitate the exchange of information, the strengthening of expertise and capabilities of personnel employed by FIUs and the fostering

of better and more secure communication among FIUs through the application of technology.

The Director of the FIAU represented the Unit at the 17th Egmont Group Plenary held in Qatar in May 2009. During the course of the four-day plenary, he represented the FIAU at the Heads of FIUs meetings, meetings of the Legal Working Group, the Regional Meeting for European FIUs and the plenary sessions. The Plenary, which was the first such event organised in the region, was attended by more than three hundred participants representing Egmont member FIUs and numerous regional and international bodies.

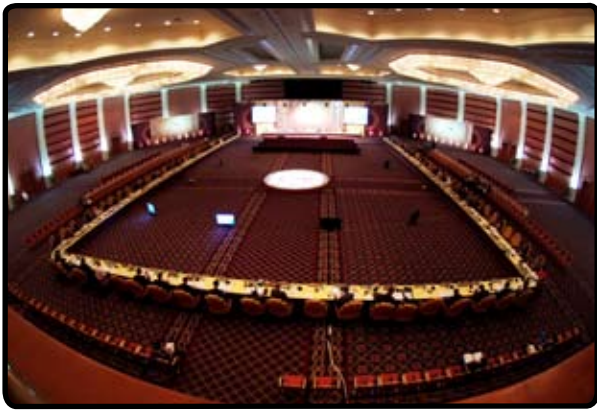


The 17th Egmont Group Plenary held in Qatar

During the plenary sessions presentations were made on a number of relevant subjects, including FIU feedback, data protection issues, the risk-based approach, trade-based money laundering and corruption as a predicate offence. Participating FIUs were also updated on developments taking place in connection with Egmont projects currently underway.

The Heads of FIUs meeting, which was spread over two days was very productive, with a number of important strategic decisions taken after lengthy discussions. Among other things, the Chair of the Egmont Committee and the previous Chair of the Egmont Committee presented the 'Two Chairs Paper' which included proposals to change the name from 'Chair of the Egmont Committee' to 'Chair of the Egmont Group'. The paper also proposed a new procedure for the selection of the Chair. These proposals were endorsed by the Heads of FIUs.

During the course of the meeting, the Heads of FIUs confirmed nine candidate FIUs as new members of the Egmont group: the Fiji Islands FIU (Fiji-FIU), the Republic of Kyrgyzstan FIU (FIS), the Macao SAR, China Financial Intelligence Office (GIF), the Malawi FIU (FIU-Malawi), the Mongolia FIU (FIU-Mongolia), the Saudi Arabia FIU (SAFIU), the Senegal FIU (CENTIF), the Sri Lanka FIU (FIU-SRI Lanka) and the St Lucia Financial Intelligence Agency (FIA-St Lucia).



The 17th Egmont Group Plenary held in Qatar

MONEYVAL

The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) held three plenary meetings in Strasbourg during 2009. The meetings were held in March, September and December. During the plenary meetings MONEYVAL adopted five Third Round MERs and fifteen Progress Reports. The Malta Delegation participated in all plenary meetings, acting as intervenor country on legal aspects during the discussion of the MER on Ukraine and as rapporteur country on the First Progress Report by Israel¹⁸.

A Maltese delegation led by Dr. Anton Bartolo, a member of the FIAU's Board of Governors, participated in the 'First Conference of the Parties to the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism' (Council of Europe Convention CETS 198 - Warsaw Convention) which was held in Strasbourg. The Deputy Chairman of the FIAU, Mr. Herbert Zammit LaFerla co-presented the Convention in his role as MONEYVAL scientific expert. The two-day meeting was held in April in Strasbourg.

Elections for MONEYVAL President, Vice-President and three members of the Bureau were held during the December plenary meeting. Dr. Anton Bartolo was elected Vice-President of MONEYVAL. Mr. Vladimir Nechaev from Russia was elected President.

Mutual Evaluations

Between 24th May and 3rd June, the Deputy Chairman of the FIAU participated in the Bosnia & Herzegovina Third Round Evaluation as the financial expert. The MER was discussed and adopted at the MONEYVAL's 31st Plenary in December.

In July MONEYVAL held a training seminar for evaluators in San Marino. An official from the Central Bank of Malta received training as a financial evaluator. Furthermore the Deputy Chairman acted as a trainer and gave a number of presentations on various aspects of the mutual evaluation process.

The Deputy Chairman was appointed by the Council of Europe as one of a 3-man team to carry out a horizontal review of the 3rd Round MERs. His role is to review the reports from the preventive financial perspective. The other two members are from Belgium (law enforcement perspective) and from Hungary (legal perspective). A first draft of the report was presented in December 2009 to be reviewed in early 2010 with those MERs adopted by MONEYVAL in its December 2009 Plenary. The report will be presented in the MONEYVAL Plenary in March 2010 to be published by June 2010.

As a member of the Permanent Experts Review Group, the Deputy Chairman reviewed five draft MERs. The Review Group is responsible to examine all reports prior to their adoption by the plenary in order to ensure consistency and quality.

MONEYVAL Experts' Meeting on Typologies

The FIAU participated in the 8th MONEYVAL Experts' Meeting on Typologies which was held in Cyprus between 10th and 12th November 2009.

The objective of the meeting was to bring experts and policy makers together to discuss the work conducted by typologies research teams and specifically to address AML/CFT methods and typologies in the context of internet gaming, private pension funds and the insurance sector.

The meeting brought together over sixty experts from MONEYVAL members and observers. Experts from members of FATF, other FSRBs and international organisations also participated. Malta was represented by a delegation of four experts, including a representative of the FIAU, two representatives from the Lotteries and Gaming Authority and a representative from the MFSA. The representatives of the FIAU and the LGA participated in the internet gaming workshop, while the representative from the MFSA participated in the insurance workshop. The representative of the FIAU was nominated as a member of the project team on the internet gaming project and besides carrying out a survey on the payment options used within the internet gaming sector, he delivered a presentation on the findings of the survey during the experts' meeting, together with another presentation from the representative of the LGA.

¹⁸ The Malta Delegation is headed by Dr. Silvio Camilleri and includes Dr. Anton Bartolo, Mr. Anthony Cortis (CBM) and Mr. Michael Cassar (Malta Police).

