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FINANCIAL INTELLIGENCE ANALYSIS UNIT  
**ANNUAL REPORT 2015**

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## FINANCIAL INTELLIGENCE ANALYSIS UNIT

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## LETTER OF TRANSMITTAL TO THE MINISTER FOR FINANCE

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**Hon. Minister of Finance**  
**30, Maison Demandols**  
**South Street**  
**Valletta VLT 1102**

30 March, 2016

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 31 December, 2015.

Yours sincerely



**Dr Peter Grech**  
Chairman

## TABLE OF CONTENTS

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<b>CHARTS AND TABLES</b>	<b>8</b>
<b>ABBREVIATIONS</b>	<b>9</b>
<b>STATEMENT OF THE CHAIRMAN</b>	<b>11</b>
<b>1. THE FINANCIAL INTELLIGENCE ANALYSIS UNIT</b>	<b>13</b>
Establishment and Composition	13
Functions	13
Structure of the Organisation	14
FIAU Staff	14
<b>2. OPERATIONS</b>	<b>15</b>
Financial Analysis	15
Statistics Reporting	15
International Co-operation	25
Compliance Monitoring	30
Money Laundering Cases	33
<b>3. MANAGEMENT AND TRAINING</b>	<b>35</b>
The Board of Governors	35
The Director	35
Training	36
<b>4. OTHER DEVELOPMENTS AND INITIATIVES</b>	<b>38</b>
Joint Committee for the Prevention of ML/FT	38
Amendments to the PMLFTR, the PMLA and Other Laws Related to the Prevention of ML/FT	38
FATF Statements	38
Amendments to the Implementing Procedures	38
The National Project for the Certification of Cash Handlers	39
Adoption of the 4th AMLD and the Revised Funds Transfers Regulation	39
Interpretative Note on the AML/CFT Obligations of Legal Procurators	40
Policies and Procedures on the Publication of Administrative Penalties	40
Sustainable Development	40
<b>5. PARTICIPATION IN INTERNATIONAL FORA</b>	<b>41</b>
The European Union Committee on the Prevention of ML/FT	41
EU-FIU Platform	41
Workshops on the Transposition of the AMLD	41
Conference of the Parties to CETS no. 198	41
The Egmont Group	41
MONEYVAL	42
<b>APPENDIX</b>	<b>43</b>

## CHARTS AND TABLES

STRs and Cases (2013-2015)	15
STRs filed by type of reporting entity as a percentage of the total number of STRs (2015)	17
STRs filed by type of reporting entity in absolute numbers (2011-2015)	17
STRs in which only legal persons were the subject of the report	18
STRs in which only natural persons were the subject of the report	18
STRs in which at least one natural person and one legal person were subject of the report	19
Requests for information made by the FIAU by type of initial disclosure (2015)	20
Number of requests sent	20
Percentage of cases referred to the Police for further investigation (2011-2015)	21
Outcome of STRs and cases (2013-2015)	21
Suspected predicate offences in cases referred to the Police on suspicion of ML/FT (2015)	22
Requests for co-operation and assistance (2011-2015)	25
Requests for assistance made by the FIAU – by region and number of FIUs (2015)	26
Timeliness of responses by foreign FIUs to requests for assistance made by the FIAU (2015)	26
Requests for assistance received by the FIAU – by region and number of FIUs (2015)	26
Timeliness of responses by the FIAU to requests for assistance received from foreign FIUs (2015)	26
Example of an analytical chart	27
Requests for co-operation and assistance (2015)	28-29
On-site AML/CFT examinations conducted by the FIAU and the MFSA	30
On-site AML/CFT examinations conducted by the FIAU subdivided into DNFBP and the financial sector	30
Percentage increase over the previous year in the submission of ACRs	31
Number of administrative sanctions imposed (2013-2015)	32
Administrative sanctions imposed during 2015 by sector – DNFBP and the financial sector	32
Requests for co-operation and assistance (2015)	42-43

## ABBREVIATIONS

<b>ACR</b>	Annual Compliance Report
<b>AML</b>	Anti-Money Laundering
<b>AMLD</b>	Anti-Money Laundering Directive
<b>AML/CFT</b>	Anti-Money Laundering and the Combating of Financing of Terrorism
<b>DNFBP</b>	Designated Non-Financial Businesses and Professions
<b>EGMLTF</b>	Expert Group on Money Laundering and Terrorist Financing
<b>EU</b>	European Union
<b>EEA</b>	European Economic Area
<b>FATF</b>	Financial Action Task Force
<b>FIAU</b>	Financial Intelligence Analysis Unit
<b>FIU</b>	Financial Intelligence Unit
<b>IMF</b>	International Monetary Fund
<b>JCPMLFT</b>	Joint Committee for the Prevention of Money Laundering and Funding of Terrorism
<b>MGA</b>	Malta Gaming Authority (formerly the Lotteries and Gaming Authority)
<b>MFSA</b>	Malta Financial Services Authority
<b>ML/FT</b>	Money Laundering and the Funding of Terrorism
<b>MLRO</b>	Money Laundering Reporting Officer
<b>MONEYVAL</b>	Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
<b>MoU</b>	Memorandum of Understanding
<b>NRA</b>	National Risk Assessment
<b>PMLA</b>	Prevention of Money Laundering Act
<b>PMLFTR</b>	Prevention of Money Laundering and Funding of Terrorism Regulations
<b>STR</b>	Suspicious Transaction Report



## STATEMENT OF THE CHAIRMAN



The financial sector plays an essential role in our economy and the criminal justice system is an integral part of the maintenance of the rule of law.

The involvement of the FIAU in the prevention of ML/FT is important in safeguarding the integrity of the financial sector while providing needed support to criminal investigations in the field, and thereby to the criminal justice system in general.

2015 has been close to a landmark year for the FIAU.

The clear and unreserved appreciation by the Ministry of Finance of the importance of the function of the FIAU, together with the confidence that the organisation's work has commanded over the years, has led to the approval and implementation of a development plan for the FIAU that resulted in rather extensive staff recruitment during 2015.

Staff recruitment is, of course, not an end in itself and, if not managed properly, can even be counter-productive. Nevertheless, our staff are our most valuable asset and an increase in staff is essential if the organisation is to grow to a size that would enable it to consolidate its base, manage its task better and maintain its credibility in the domestic and international fields. The size of Malta's financial

sector is really incompatible with a micro-sized FIAU and this year marked an important step forward in the establishment of a larger and more robust organisation more realistically capable to take on the challenges of its task.

During 2015 the FIAU also engaged the services of management consultants to lessen internal bureaucratic processes and, in particular, to reduce the time between the various steps of an inspection of a 'subject person' and its conclusion. Various recommendations were made and debated in this regard. The FIAU is currently implementing those recommendations. The staff increase, if implemented in conjunction with such measures, should lead to a significant increase in the organisation's effectiveness at the least possible cost.

The FIAU has changed its premises twice over the years of its existence to accommodate the growth in its size from a micro-sized organisation when it started off in September 2002 to a small organisation approaching the small to medium mark when its current development plan will be fully implemented. 2015 saw the FIAU moving into its new premises at Swatar, which should provide a solid base for its expansion and effective work over the foreseeable future. The move also follows much preparatory work and detailed planning by the FIAU Board, Director and staff.

*"2015 has been close to a landmark year for the FIAU."*

The year under review also saw various initiatives coming to fruition on the legislative level.

Act III of 2015, entitled the Various Laws (Prevention of Money Laundering and Funding of Terrorism) (Amendment) Act, 2015, received the President's assent on 20 February, 2015.

The Act strengthens the means for pursuing the fight against ML/FT through various amendments to the PMLA, to the Criminal Code and to the Professional Secrecy Act. This piece of legislation was called for and is now on Malta's statute book. It has already been invoked in a number of cases since.

Amendments to Part I of the Implementing Procedures, issued under the PMLFTR, and the issuance of a consultative document in respect of further proposed amendments were concluded. The FIAU also issued sector-specific guidance on land-based casinos and an Interpretative Note on the AML/CFT obligations of legal procurators.

The Fourth EU AMLD (Directive (EU) 2015/849) on the prevention of the use of the financial system for the purposes of ML/FT and the revised Funds Transfer Regulation (Regulation (EU) 2015/847) on information accompanying transfer of funds came into force.

The MONEYVAL front saw a most welcome development when, at the 49th plenary meeting of MONEYVAL, Malta was removed from regular follow-up since it was agreed that the country had demonstrated sufficient action to address the shortcomings identified in the Fourth Round Mutual Evaluation Report.

This report aims to give a detailed overview of the FIAU's work in 2015 and thereby of the situation regarding the fight against ML/FT in Malta and the way in which that work ties in with work in countries practically all over the world.

It seeks to make a small but significant contribution towards the documentation of that work and towards the raising of awareness of the importance of the work to our economy, to the fulfilment of our community and international obligations, and for the protection of the rule of law.

I thank the Deputy Chairman, the other members of the Board, and the Director and staff of the FIAU, as well as our partners in the public administration, for their significant contribution to the fight against ML/FT and to the consolidation of the FIAU structure over the past year and I trust that you will find this report informative and interesting.



**Dr Peter Grech**  
Chairman

## 1. THE FINANCIAL INTELLIGENCE ANALYSIS UNIT

### ESTABLISHMENT AND COMPOSITION

The FIAU is tasked with the analysis of suspicions of ML/FT and the proceeds of crime, and with the dissemination of that information to law enforcement authorities once a determination is made that a reasonable suspicion of ML/FT subsists. It is also responsible for the oversight of financial institutions and DNFBP to ensure that they are complying with their AML/CFT obligations. The Unit was set up on 1 October, 2002, as an autonomous agency within the structure of the Ministry of Finance, following the publication of Legal Notice 297 of 2002. This legal notice brought into force comprehensive amendments to the PMLA (Chapter 373 of the Laws of Malta), enacted by means of Act XXXI of 2001. The policy of the FIAU is established by the Board of Governors, appointed in terms of the PMLA, and the Director, as the operational head of the FIAU, is responsible for executing that policy. The Unit operates through four distinct sections, each with its own brief. These sections are responsible for the carrying out of operational and strategic analysis, the monitoring of compliance by subject persons, legal and international affairs and the Unit's administration and IT.

### FUNCTIONS

The functions of the FIAU are set out under Article 16 of the PMLA. The following are its principal duties:

#### 1. The receipt and analysis of information on transactions or activities suspected to involve ML/FT or suspected to involve the proceeds of crime

The FIAU's Financial Analysis Section examines disclosures made by institutions and individuals that have obligations under the PMLFTR to pass on information on any knowledge or suspicion of ML/FT to the FIAU within the timeframes set by law, together with any other information that may be brought to its attention by any other person. In those situations where, after it has collected additional information from subject persons, public entities, other FIUs or any other person, it is established that there is a reasonable suspicion of ML/FT, a detailed analytical report is sent to the Police for an investigation to be carried out.

#### 2. Exchanging information and co-operating with foreign FIUs and with other local and foreign supervisory authorities

The FIAU is permitted to exchange information with both local and foreign supervisory authorities and other FIUs both spontaneously and following a request for

information. Although the existence of an MoU is not necessary for the exchange of information to take place, the Unit enters into bilateral and multilateral MoUs with foreign FIUs, supervisory authorities and international organisations, especially where it is considered important to do so to strengthen the channels of communication with other entities and organisations in jurisdictions that might have more stringent legislation.

#### 3. Oversight and monitoring of compliance by persons and institutions subject to the provisions of the PMLFTR

On-site and off-site supervision of persons and institutions subject to the PMLFTR is carried out on a risk-sensitive basis by compliance officers. On-site examinations are carried out both by the FIAU's compliance officers and by supervisory authorities acting on the Unit's behalf. Once the conclusions of an on-site examination are drawn up, the FIAU informs subject persons of the time period within which remedial action must take place. Where non-compliance is ascertained, a determination is also made as to whether the circumstances warrant the imposition of an administrative penalty or other sanction.

#### Other areas of responsibility

The FIAU is also involved in carrying out the following functions:

- The gathering of information on financial and commercial activities in Malta to detect ML/FT vulnerabilities;
- The provision of advice to the Minister responsible for Finance on all matters and issues related to the prevention, detection, investigation, prosecution and punishment of ML/FT;
- The monitoring of developments in methods, typologies and trends in ML/FT;
- The compilation of statistics and records;
- The issuance of guidance to subject persons;
- The promotion and provision of training on matters related to the prevention of ML/FT;
- The provision of assistance on the effective development of measures and programmes for the prevention of ML/FT;
- Participation in international fora, including the plenary and working group meetings of the Egmont Group and MONEYVAL, and the meetings of the EU-FIU Platform and the EGMLTF; and
- Reporting on any suspicion of ML/FT to the Police, even where the knowledge of the suspicious activity arises from sources other than a report filed in terms of the PMLFTR.

## STRUCTURE OF THE ORGANISATION

Governance responsibilities within the FIAU are split between the **Board of Governors** and the **Director**, with the Board of Governors being tasked by law with the setting of policy and the Director, who heads the FIAU's operations, executing that policy.

There are four operational sections:

The Financial Analysis Section deals with the analysis of STRs and exchange of information with other FIUs. This section is also responsible for structural and tactical analysis and the maintenance of statistics;

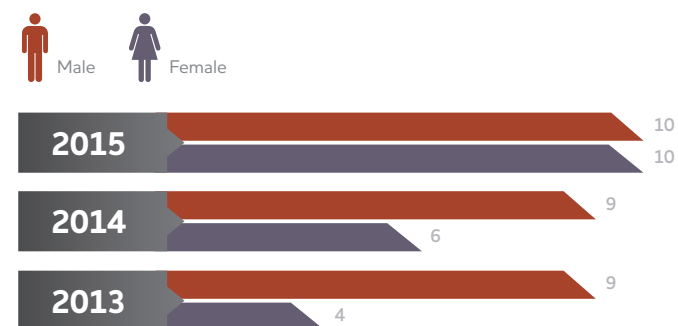
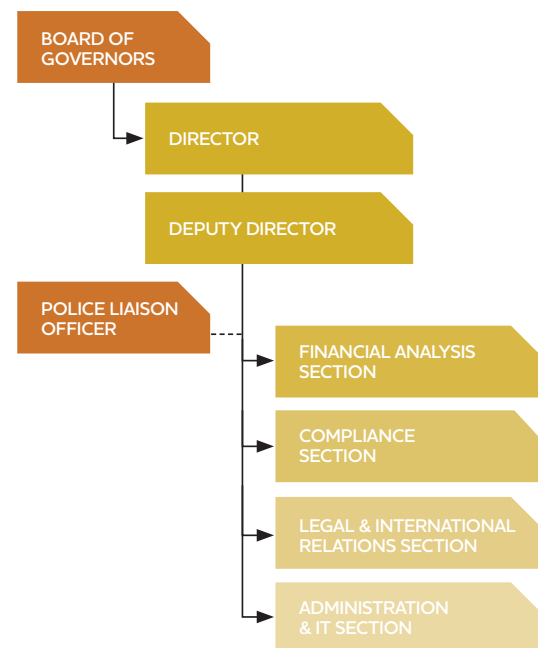
The Compliance Section, which carries out the supervisory and monitoring functions of the FIAU;

The Legal & International Relations Section, which deals with all internal legal matters, assists in the drafting of legislation and guidance, and manages relations with other FIUs and relations outside Malta; and

The Administration and IT Section, which manages the Unit's administrative, HR, accounting and IT set-up.

The Director also heads two internal committees, the Financial Analysis Committee and the Compliance Monitoring Committee, chairs the JCPMLFT, and acts as the secretary to the Board of Governors.

The PMLA also establishes the position of a Police Liaison Officer, who is the Unit's direct contact within the Malta Police Force. This Officer, who is appointed by the Commissioner of Police, makes police records available to the FIAU to help it in its work, and provides his assistance in the analysis and processing of STRs and other intelligence data. The position was vacated during the last quarter of 2015, following the resignation of the incumbent. A replacement was not appointed before the end of the year.



## FIAU STAFF

The FIAU's staff complement continued to grow over the past few years, reaching 20 employees by the end of 2015 in accordance with the FIAU's development plan for the years 2014-2016. Gender distribution has also changed, with a noticeable increase in the number of female employees joining the Unit. Since all positions within the FIAU that are not administrative or support roles require a level of education which is at least equivalent to NQF level 6 or higher, 80% of the FIAU's staff have achieved this academic level and several have exceeded this level.



## 2. OPERATIONS

### FINANCIAL ANALYSIS

The core function of the FIAU, which is carried out in practice by the officers within the Financial Analysis Section, is to collect, process, analyse and ultimately disseminate information to the Police with a view to combating ML/FT.

The FIAU's online submission system is the primary means used by reporting entities to submit STRs to the FIAU together with any additional information deemed necessary. All STRs received by the FIAU are acknowledged and feedback on the quality of the STR is provided to reporting entities.

Once an STR is assigned to an analyst, a preliminary analysis is carried out to determine whether the elements surrounding the case are sufficient to warrant further analysis. The preliminary analysis also serves to determine whether the FIAU already holds any information on the natural and legal persons reported in the STR, to prioritise the case and to draw up an action plan.

The findings of the analysis are subsequently presented to the FIAU's Financial Analysis Committee, which determines the outcome of cases presented to it. If the Committee determines that a reasonable suspicion of ML/FT subsists, a detailed analytical report is disseminated to the Police for further investigation.

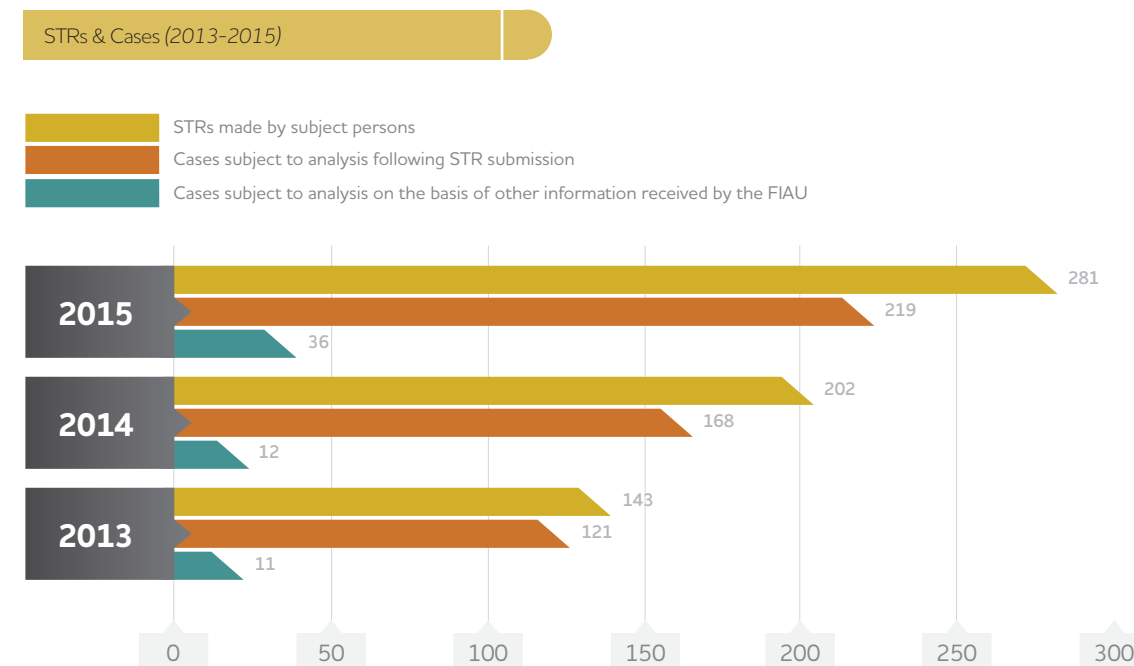
At times, the Financial Analysis Committee may determine, even in situations where a case does result in an analytical report being sent to the Police, that it would be appropriate to send a spontaneous intelligence report to the FIU of another country involved in the case. Further information in this respect is provided in the international co-operation section of this report.

Apart from the operational analysis carried out by the Financial Analysis Section on a case-by-case basis, the officials within this section also carry out periodical strategic analyses of all the cases analysed to identify ML or FT patterns, trends and typologies. Further information on this matter is available in the typologies and trends section of this report.

### STATISTICS REPORTING

The year under review saw an increase of a further 79 disclosures to the FIAU over 2014, bringing the total number of STRs submitted in one calendar year to a new record of 281. For the second consecutive year this is the largest increase in absolute terms and the third largest in percentage terms with a 39% increase over 2014.

As was the case in 2014, the increase in STRs naturally led to a rise in the number of cases that had to be dealt with by the FIAU during 2015<sup>1</sup>.



<sup>1</sup> The number of STRs and the number of cases very often differ since there are several instances when the FIAU receives more than one disclosure from subject persons in relation to the same person, transaction or activity.





During the year under review, the STRs received gave rise to 219 new cases, which saw a 30% increase over 2014 and an 81% increase over 2013.

In addition to the 219 new cases generated through STR submissions, the FIAU investigated a further 36 cases following the receipt of information from various other sources. The substantial increase in the number of cases initiated by the FIAU compared to 2014, when the figure was 12 cases, is partly attributed to the increase in spontaneous intelligence reports received from other FIUs. In fact, a third of the 36 cases were initiated following the receipt of these intelligence reports.

The total number of cases subject to an analysis by the FIAU in 2015 was therefore 255, 75 cases more than in the previous year.

### STRS BY CATEGORIES OF SUBJECT PERSONS

The STRs submitted to the FIAU during 2015 originated from 13 categories of subject persons. In fact, a general increase in STR submissions was noted across practically all categories. As was the case in previous years, the increase in the absolute number of STRs in 2015 is mainly attributed to the 21% increase, over 2014, in reporting from credit institutions. This figure not only reiterates the salient role credit institutions have in protecting the economy and the financial system from ML/FT, but also places an emphasis on the higher level of awareness and vigilance that is prevalent in this category.

Of the 136 STRs filed by credit institutions during 2015, 105 were filed by the seven core domestic banks<sup>2</sup>, compared to 77 STRs in 2014 received from the same group, which at the time consisted of five banks. During 2015, the non-core domestic banks<sup>2</sup> filed 27 STRs, the vast majority of which were received from one single bank and as in 2014 predominantly involved foreign, legal and natural persons having no connections to any Maltese natural or legal persons.

Four STRs were received in 2015 from credit institutions classified as international banks, a category of banks having very limited connections to the Maltese economy.

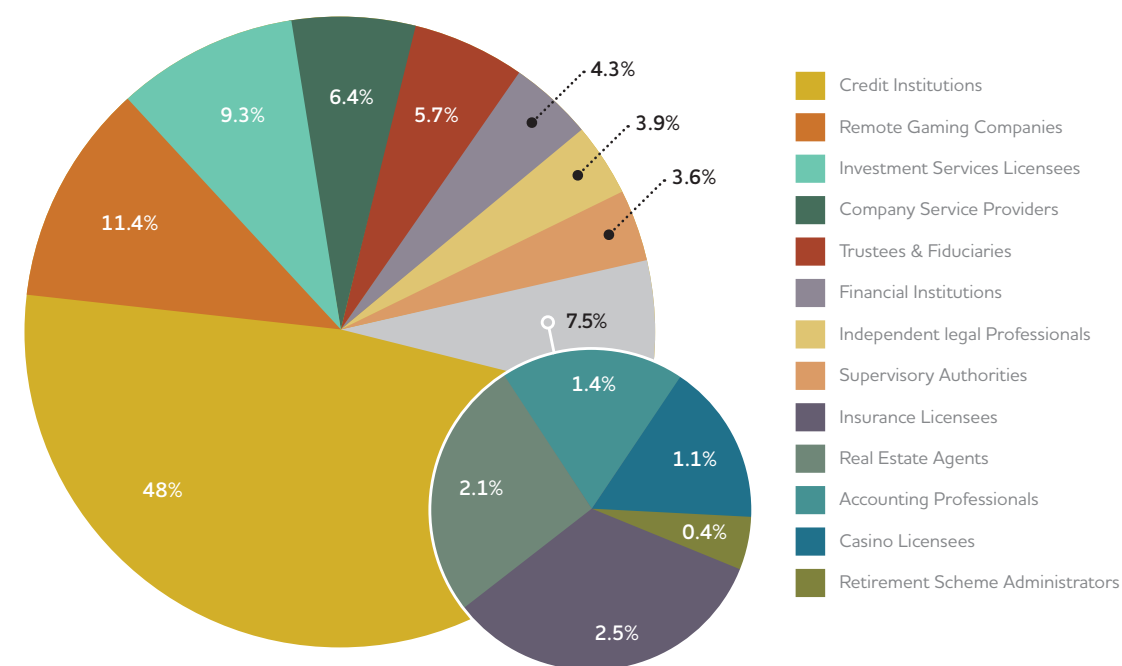
In addition to STRs filed by credit institutions, the FIAU noted a significant increase in the number of STRs received from investment services licensees and remote gaming companies. Most of the latter disclosures, however, related to foreign natural persons with limited connections to Malta.

Other increases were noted in STRs filed by supervisory authorities, insurance licensees, independent legal professionals and company service providers.

The only sector where the number of STRs decreased was that of financial institutions. In particular, it was noted that the level of reporting by payment institutions remained worryingly low. The FIAU will be analysing why this level of reporting remained low and intends to take measures to rectify it.

<sup>2</sup> Refer to Central Bank of Malta Seventh Financial Stability Review 2014, p 41 [http://www.centralbankmalta.org/updates/Downloads/pdfs/FSR\\_2014.pdf](http://www.centralbankmalta.org/updates/Downloads/pdfs/FSR_2014.pdf)

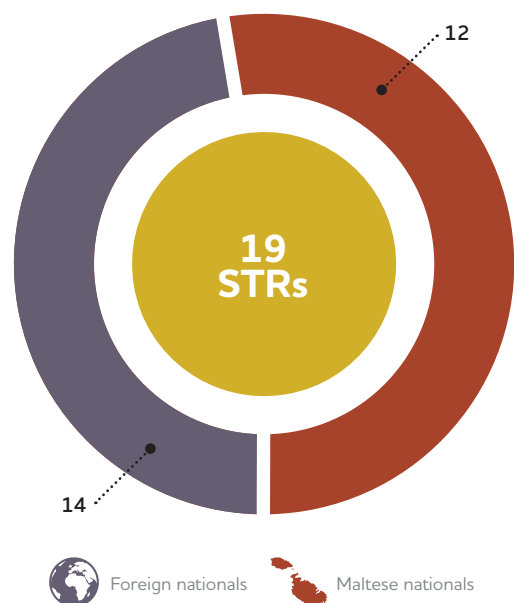
STRs filed by type of reporting entity as a percentage of the total number of STRs (2015)



STRs filed by type of reporting entity in absolute numbers (2011-2015)

Type of reporting entity	2011	2012	2013	2014	2015
	N°	N°	N°	N°	N°
Credit Institutions	26	58	66	112	136
Financial Institutions	6	12	8	17	11
Investment Services Licensees	8	3	10	9	26
Insurance licensees	5	-	1	1	7
Supervisory Authorities	6	4	2	3	10
Independent Legal Professionals	1	3	8	5	11
Remote Gaming Companies	37	14	17	22	32
Casino Licensees	6	6	-	1	3
Trustees & Fiduciaries	6	13	7	12	16
Real Estate Agents	-	-	-	2	6
Accounting Professionals	1	5	3	2	4
Regulated Markets	-	1	1	1	-
Company Service Providers	5	18	15	13	18
Retirement Scheme Administrators	-	-	-	1	1
Others	-	5	5	1	-
<b>TOTAL</b>	<b>107</b>	<b>142</b>	<b>143</b>	<b>202</b>	<b>281</b>

STRs in which only legal persons were the subject of the report

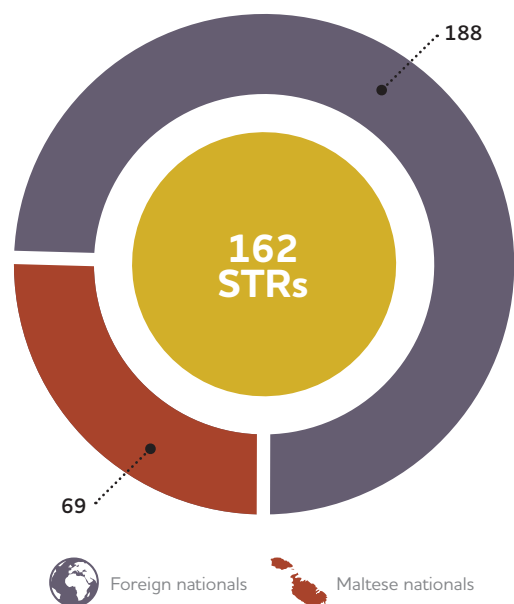


**PERSONS SUBJECT TO STRS**

The 281 STRs received in 2015 included reports on 602 natural and legal persons, which is an increase of approximately 60% compared to the previous year. This increase is in part a direct result of the larger number of STRs submitted to the FIAU throughout the year. It was also noted, however, that during 2015 the average number of persons reported in each STR also increased and exceeded two persons per STR.

Approximately 70% of the legal and natural persons reported to the FIAU during the year were either non-Maltese nationals or foreign companies. Despite the noticeable upturn in the total number of persons reported to the FIAU, this ratio remained unchanged compared to 2014 and continues to underline the strong international element to which Maltese reporting entities are exposed.

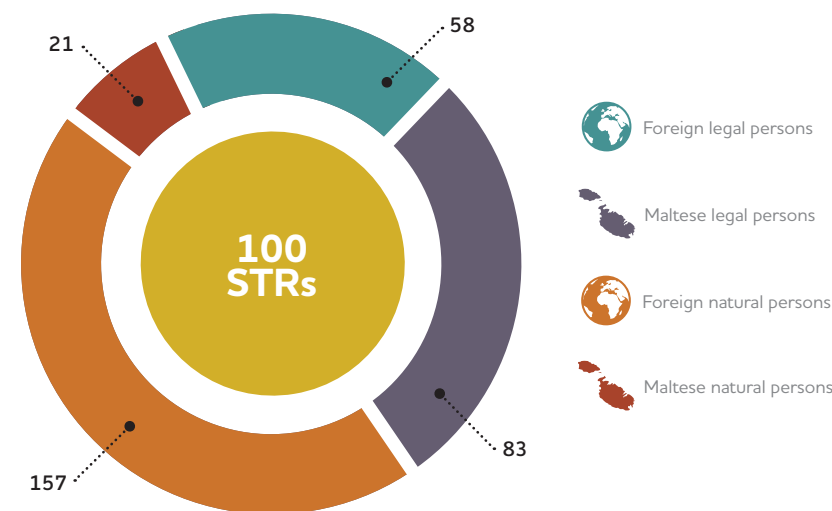
STRs in which only natural persons were the subject of the report



Almost 60% of the STRs received by the FIAU reported suspicions in respect of natural persons only, mostly foreign nationals, without making any reference to corporate structures. These STRs were predominantly submitted by credit institutions, remote gaming companies and investment services licensees. On the other hand, reports submitted to the FIAU on natural persons of Maltese nationality were mainly filed by credit institutions and financial institutions, in particular financial institutions providing money remittance services.

Approximately 35% of the STRs submitted to the FIAU contained a suspicion in relation to at least one natural and one legal person. In these STRs, a total of 319 natural and legal persons were reported to the FIAU, most of which were companies incorporated under Maltese law and foreign nationals. This is representative of the typology noted by the FIAU involving at least one Malta-registered company owned by foreign nationals who more often than not also make use of trust and company service providers.

STRs in which at least one natural person and one legal person were subject of the report



**REQUESTS FOR INFORMATION**

During 2015, the FIAU made 3,044 requests for information to 247 entities, including persons subject to the PMLFTR, foreign FIUs, the Police, supervisory authorities, Government departments, ministries and agencies.

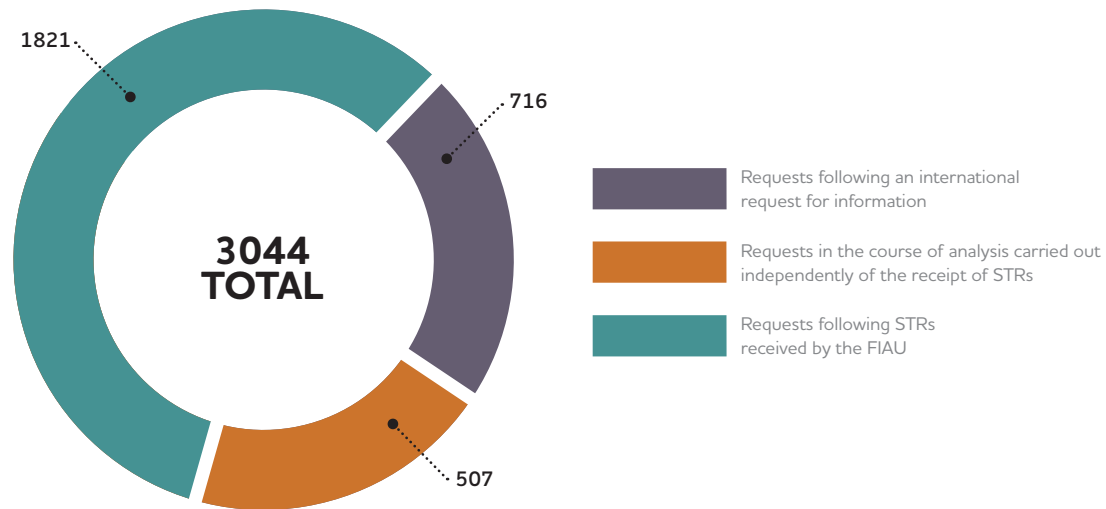
When compared to 2014, this represents an increase of 30%, and mainly results from the increase in the number of cases subject to analysis during 2015.

Requests made by the FIAU following the receipt of an international request for information contributed to 23% of all requests made in 2015. In percentage terms this equates to an 86% increase over last year.

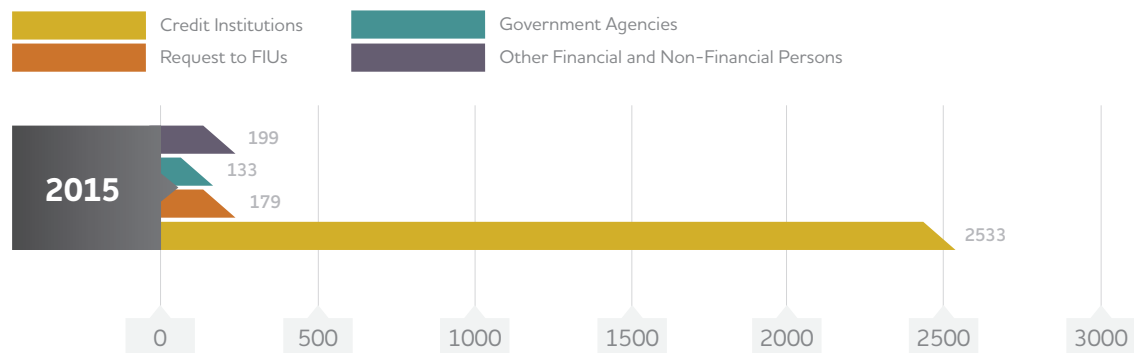
Despite the remarkable increase in the number of requests made by the FIAU in 2015, credit institutions still remain the primary source of information for the FIAU. This conclusion is based on the fact that 83% of the requests for information made in 2015 were directed towards such entities.

*“Despite the remarkable increase in the number of requests made by the FIAU in 2015, credit institutions still remain the primary source of information for the FIAU.”*

Requests for information made by the FIAU by type of initial disclosure (2015)



Number of requests sent



**OUTCOME OF ANALYSIS**

During 2015, the Financial Analysis Section of the FIAU dealt with 333 cases, 23% of which were initiated prior to the year under review. Of these cases, the FIAU concluded 188 cases, and a further 145 remained ongoing as at the end of the year.

The number of cases that were actually forwarded to the Police for further investigation was once again inferior to the previous year, with a total of 20 analytical reports being sent to the Police by the end

of the year following a determination of reasonable suspicion of ML/FT. A number of other cases that were subject to analysis by the Unit's officials during the year under review were concluded towards the end of the year and were also subsequently forwarded to the Police during 2016. These cases were not included in the figure of 20 cases referred to above.

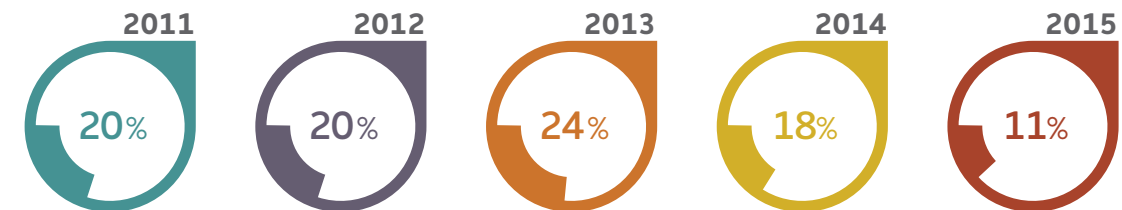
The data analysed for the purposes of this report therefore indicates that the number of cases forwarded to the Police remained close to the corresponding average of 25 cases per year for the past five years.

In percentage terms, due to the significant increase in STRs reported to the FIAU, the number of cases referred to the Police amounted to 11% of the cases concluded during 2015.

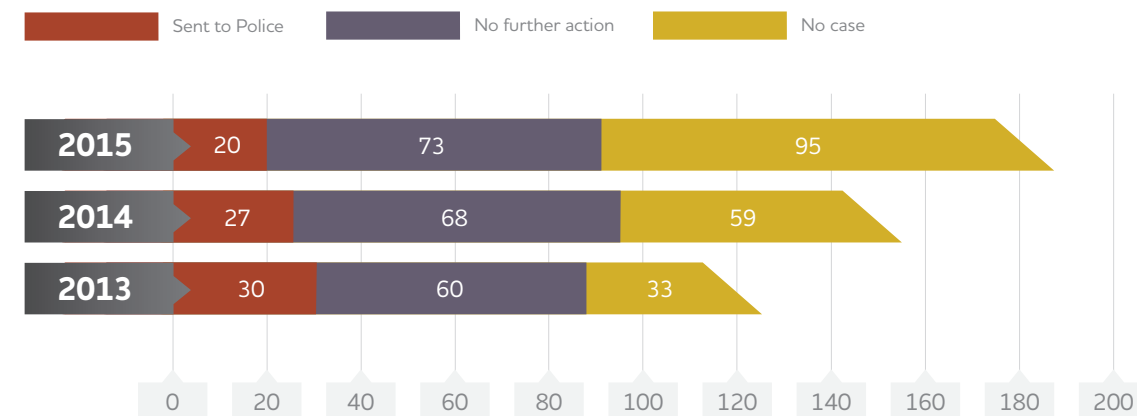
This reduction is mainly attributable to the higher level of scrutiny being exercised before referring cases to the Police and the increase in the number of cases where it is considered more appropriate to send a spontaneous intelligence report to foreign FIUs rather than to trigger an investigation in Malta.

It has been noted that almost half of the cases referred to the Police for further investigation originated from STRs that were submitted to the FIAU by credit institutions. A further four cases sent to the Police were initiated by the FIAU on the basis of other information received by the Unit. The remaining cases originated from STRs submitted to the FIAU by independent legal professionals, financial institutions, persons authorised to carry out insurance business and remote gaming companies.

Percentage of cases referred to the Police for further investigation (2011-2015)



Outcome of STRs and cases (2013-2015)



### SUSPECTED PREDICATE OFFENCE

As was the case in recent years, fraud once again featured as the predominant predicate offence in the cases referred to the Police for further investigation. Accounting for almost half of such cases, the FIAU once again identified various types of fraud resulting in potential laundering. Further information on these cases is available in the typologies and trends section of this report.

Funds suspected to be the proceeds of misappropriation carried out domestically featured in a few cases, and a further case that was referred to the Police was considered to relate to the laundering of funds linked to corruption or embezzlement that took place in a foreign jurisdiction.

The FIAU also referred other cases to the Police

suspected to be linked to organised crime. In these cases, a reasonable suspicion arose that foreign nationals made use of domestic entities to launder the proceeds of predicate offences carried out in foreign jurisdictions.

The financing of terrorism once again featured prominently in the agenda of international bodies having AML/CFT functions due to the worrying increase in terrorism globally. Malta was not immune to these developments and, for the first time since 2010, one case of suspected FT was identified and forwarded to the Police for investigation.

In some cases that were referred to the Police, the FIAU could not identify the suspected predicate offence. In these cases, despite the lack of a precise indication of the underlying predicate offence, the elements necessary to form a reasonable suspicion of ML/FT were still evident.

Suspected predicate offences in cases referred to the Police on suspicion of ML/FT (2015)



### TYOLOGIES AND TRENDS

A review of the cases referred to the Police for investigation by the FIAU revealed that the use of Maltese-registered companies once again featured prevalently in the main typologies identified. The use of Maltese bank accounts, and SWIFT and SEPA transfers also figured in most cases referred to the Police.

From an overall perspective, the frequent use of services offered by domestic and foreign credit institutions was underscored in the internal review of cases carried out at the end of the year, an observation that was also made by the FIAU at the end of 2014.

In addition, the FIAU identified the use of investment services providers to potentially disguise the origin of criminal proceeds as a noteworthy typology. During the year under review, in fact, the FIAU referred two cases to the Police for further investigation in which investment services providers seem to have been used by people allegedly involved in organised crime groups to launder funds of illicit origin.

A decrease was noted in the use of services provided by Maltese professionals and company service providers in cases sent to the Police in 2015, however this sector is still considered to pose a serious risk since the use of such services is sought after, particularly to plan and execute the layering stage of the laundering process.

Notwithstanding the high-profile cases reported in national and international media concerning the remote gaming sector, the number of analytical reports referred to the Police in relation to companies licensed by the MGA also declined when compared to previous years. However, during the year under review a large number of spontaneous intelligence reports covering transactions and set-ups within this sector were exchanged by the FIAU with foreign FIUs.

#### The use of Maltese companies and domestic bank accounts to launder criminal proceeds

Suspicions involving domestic bank accounts pertaining to non-Maltese nationals once again

featured prominently, as did the use of companies registered in Malta that were beneficially owned by non-Maltese nationals. Most of the domestic companies subject to FIAU analyses resulting in Police reports were suspected to be formed as part of international networks used to launder the proceeds of fraud, VAT carousel schemes, corruption, misappropriation and organised crime that had been carried out in foreign jurisdictions. Once laundered, the proceeds of these crimes were suspected to have been subsequently transferred to foreign bank accounts on the presentation of fabricated invoices and false information.

As was the case in previous years, the use of accounts held at credit institutions featured in a number of cases where fraud was the suspected predicate offence. Of those cases analysed by the FIAU during 2015 involving fraud, five different types of fraud were identified. In most of these cases domestic banks accounts were used, while domestic companies were used to layer the money generated from the suspected predicate offence.

Other cases involving the use of such structures were noted. Some of these were believed to have been used for the receipt of funds potentially originating from misappropriation, organised crime, corruption and the laundering of undeclared income.

#### Company service providers and licensed financial institutions

During the year under review, the number of cases analysed by the FIAU in which the services of company service providers were sought declined. Indeed, of the cases referred to the Police for further investigation, two involved a company service provider providing services to a person who was the subject of the FIAU analysis.

The red flags that were reported to have triggered suspicion in these cases included:

- failure to provide a credible justification for the receipt of funds;
- the absence of any reasonable economic purpose;
- the availability of adverse open source information; and
- the presentation of invoices or other supporting documentation that appeared to be false.



### The use of false documentation

The use of false documentation was once again evident in the cases examined in 2015. In one case, the FIAU examined transactions involving transfers to a domestic bank account held in the name of a domestic company which was incorporated by a foreign PEP. These transactions were supported by invoices that clearly appeared to be fabricated.

- the volume of deposits not being in line with the customer's profile;
- the failure to provide supporting documentation on the origin of the funds being deposited in cash;
- the lack of co-operation by the person depositing the funds; and
- no clear purpose for making such payments.

### The use of remote gaming companies

In the disclosures made to the FIAU during 2015, the predominant typology in the remote gaming industry was chip dumping – the intentional loss of chips to another player, especially on a virtual poker table. This trend highlighted the existence of a variety of sector-specific methods of ML or FT in the remote gaming sphere.



### The use of cash

In comparison to previous years, a decrease was noted in the cases involving the use of cash, with cash deposits featuring in only three of the 20 cases that were referred to the Police.

In one case, considerable amounts of cash denominated in high-value notes were exchanged into gaming chips in a casino and subsequently changed back into lower-value notes in what appeared to be an attempt to break down the proceeds of crime into more usable denominations.

In a separate case the FIAU noted that a number of money remittances were made in favour of a Maltese national, who subsequently carried out numerous cash deposits and withdrawals using ATM and cashier facilities. The individual subsequently proceeded to transfer funds on to various individuals abroad through the use of money service bureaus. In this instance, given that the amount of funds remitted exceeded the amount received by the individual, combined with the countries involved in the remittances, suspicion was raised as to the possibility of terrorist financing.

The use of cash was also noted in a case where the suspected predicate offence involved the provision of services of a financial institution by way of business without the required licence under the Financial Institutions Act by Maltese nationals who were involved in the encashment of a substantial number of third-party cheques.

In the STRs reported to the FIAU involving the use of cash, the common red flag indicators that led to a suspicion were the following:

## INTERNATIONAL CO-OPERATION

Since the FIAU operates within an international financial centre, co-operation and exchange of information with other FIUs is imperative for the FIAU to be able to carry out its functions. As a member of the Egmont Group of FIUs, the FIAU exchanges information with other Egmont members via the Egmont Secure Web, while also making use of the FIU.Net system to exchange information with FIUs from EU jurisdictions.

Information is exchanged either on the basis of requests for information that are made or received by the FIAU, or else spontaneously whenever an FIU believes that information is of particular relevance to a foreign counterpart.

Under Maltese law the FIAU is authorised to exchange information with foreign counterparts freely without the necessity of having MoUs or formal agreements in place. Nonetheless, since the signature of MoUs might be a pre-requisite for the exchange of information in other jurisdictions, the FIAU has over the years signed numerous MoUs with foreign FIUs. Throughout its years of operation, the FIAU has concluded 14 MoUs with foreign FIUs, the most recent one having been signed in January 2015 with the FIU of the Republic of Panama.

*“Under Maltese law the FIAU is authorised to exchange information with foreign counterparts”*

### Requests made by the FIAU to other FIUs

Despite the increase in the number of STRs received by the FIAU, fewer requests for information were made to other FIUs in 2015 in relation to STRs when compared to 2014. Moreover, there were 75 cases in respect of which an international request for information was made by the FIAU, which is less than the corresponding figure of 83 cases in 2014.

This reduction is in part due to the large number of STRs received by the FIAU that did not result in an in-depth analysis following a *prima facie* review, coupled with the fact that in several of these cases, the FIAU determined that the most appropriate course of action would be to disseminate a spontaneous intelligence report to the FIUs concerned.

The vast majority of requests made by the FIAU were to FIUs of European countries. In fact, 75% of these requests were made to 31 European FIUs, with the top three counterparts being Italy, the United Kingdom and Switzerland. This was followed by the FIUs in the Americas, to which the FIAU sent 11% of its requests to nine FIUs, and in Asia, to which the FIAU sent 9% of its requests to six FIUs.

Requests for co-operation and assistance (2011-2015)

Year	Number of requests received by the FIAU	Number of requests made by the FIAU
2011	97	142
2012	74	179
2013	96	152
2014	100	196
2015	125	179



Requests for assistance made by the FIAU – by region and number of FIUs (2015)

Requests for assistance received by the FIAU – by region and number of FIUs (2015)

Region	Number of requests made by the FIAU	Number of FIUs to which a request was made by the FIAU
EU/EEA	108	24
Europe (non-EU/EEA)	26	7
Asia	16	6
Americas	19	9
Africa	8	4
Oceania	2	2

Region	Number of requests received by the FIAU	Number of FIUs from which a request was received by the FIAU
EU/EEA	82	19
Europe (non-EU/EEA)	19	7
Asia	10	7
Americas	9	4
Africa	3	2
Oceania	2	1

The timeliness of foreign FIUs' replies to international requests for information made by the FIAU is considered to be satisfactory when considering that 62% of the requests made by the FIAU were replied to within one month. Nonetheless, in the remaining 38% of the requests made by the FIAU, a reply was received after one month from when the request was made, which is one of the main factors contributing to delays in concluding cases. While there are instances where the information received is minimal and the information given does not provide the required level of assistance, in some cases the delays are significant. In fewer cases still, no response is provided.

Over 80% of the requests received by the FIAU originated from 26 FIUs in European countries, with the main originators of these requests being the FIUs of Italy, the United Kingdom and France. Europe was followed by Asia from where 8% of the requests received by the FIAU originated, and the FIU of the United States, which accounted for 7% of the requests received during 2015.

The timeliness of the FIAU in replying to international requests for information remained highly satisfactory as in the previous years. From the 125 requests received by the FIAU during 2015, 94% were replied to by the FIAU within one month from the date of the receipt of the request.

Timeliness of responses by foreign FIUs to requests for assistance made by the FIAU (2015)

Timeliness of responses by the FIAU to requests for assistance received from foreign FIUs (2015)

Time taken for the foreign FIUs to reply	Number of answered requests	Percentage of answered requests
Within 1 week	37	22%
Within 1 month	67	40%
Longer than 1 month	63	38%

Time taken for the FIAU to reply	Number of answered requests	Percentage of answered requests
Within 1 week	73	63%
Within 1 month	36	31%
Longer than 1 month	7	6%

**Requests received by the FIAU from other FIUs**

An increase of 25% was noted in the number of international requests for information received by the FIAU during 2015 when compared to 2014, reaching a record figure of 125 requests.

**Spontaneous Intelligence Reports**

The sharing of information between FIUs in the form of spontaneous intelligence reports continued to increase during the year under review. In fact, a total of 77 spontaneous intelligence reports, which represents an increase of 54% compared to 2014, were sent to the FIUs of 35 countries. These reports were drawn up in relation to 50 cases analysed by the FIAU.

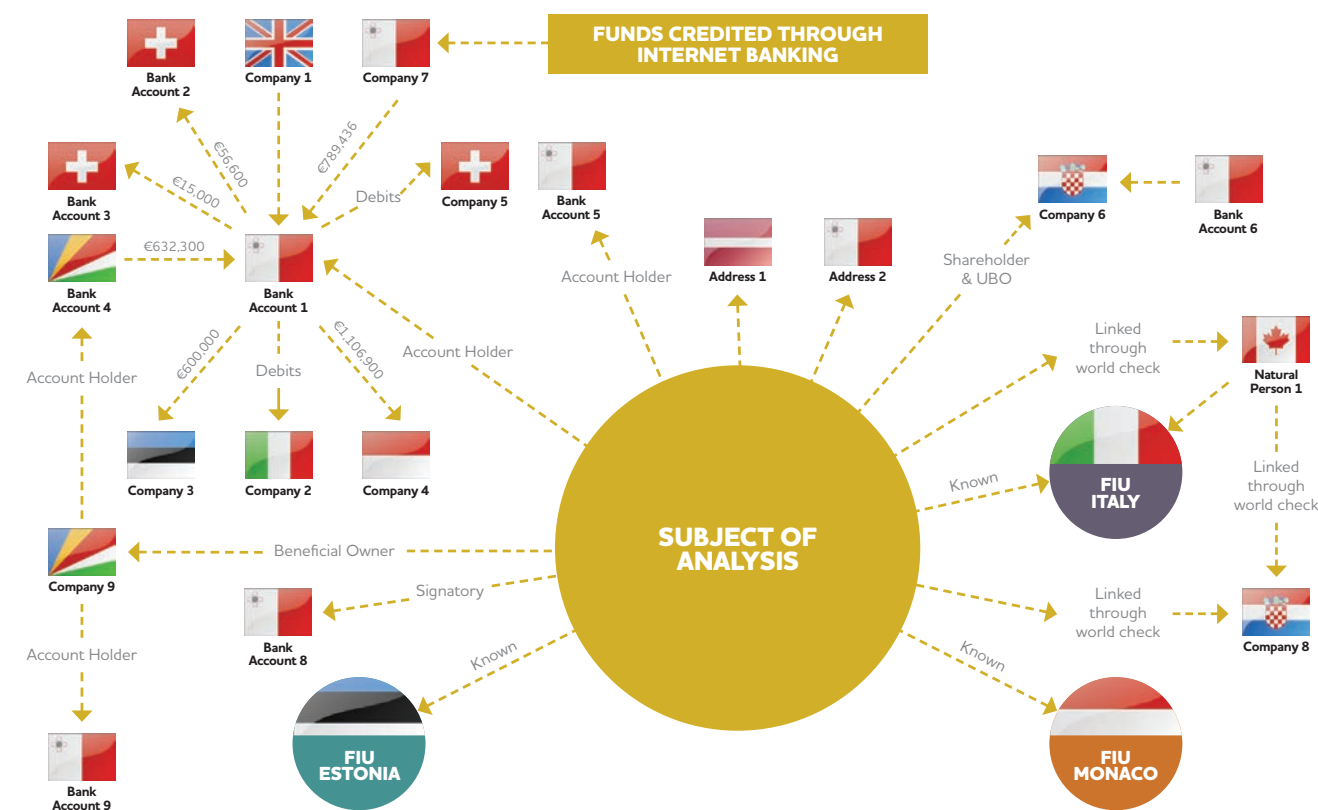
One of the primary factors behind this development lies in the increase in the number of STRs that were made in respect of persons who have a limited connection to Malta, such as persons of foreign nationality and residency who are suspected of having used a gaming platform situated in Malta to launder funds, with the funds never being transferred to or

through Malta. Such STRs would typically result in the dissemination of a spontaneous intelligence report to the FIU of the country or countries concerned.

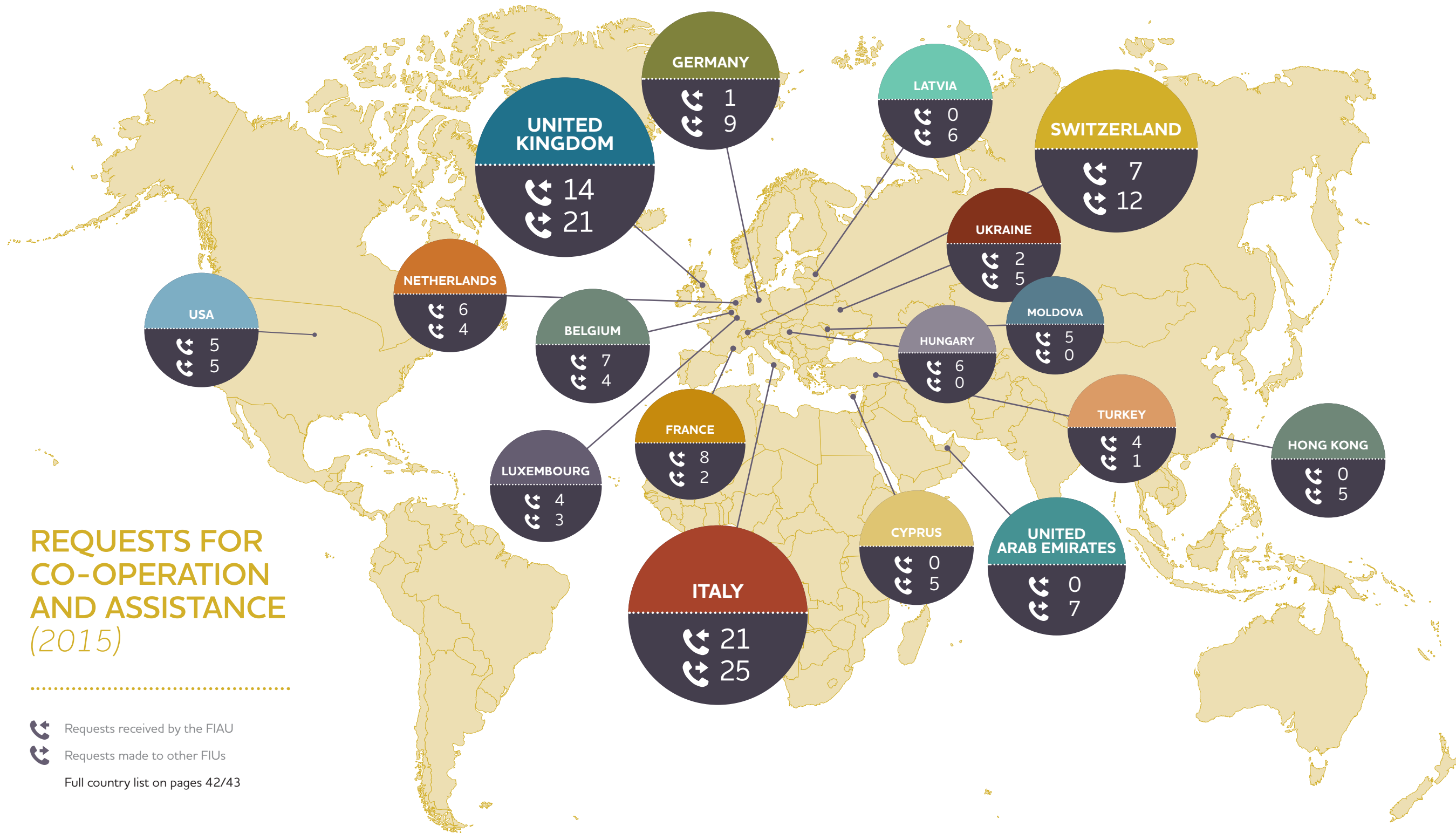
Interestingly, the number of spontaneous intelligence reports received by the FIAU throughout the year also increased significantly, reaching 52 reports, which is more than double the corresponding figure for the previous year.

The increase in the receipt of spontaneous intelligence reports suggests a growth in the propensity of other FIUs to share information with countries linked to their cases. It was also noted that the vast majority of the spontaneous intelligence reports received by the FIAU were made in connection with Maltese persons having funds in offshore bank accounts.



Example of an analytical chart



All data and details shown in the above chart are entirely fictitious.



## REQUESTS FOR CO-OPERATION AND ASSISTANCE (2015)

 Requests received by the FIAU  
 Requests made to other FIUs  
 Full country list on pages 42/43

## COMPLIANCE MONITORING

One of the main functions of the FIAU under the PMLA is the supervision and monitoring of subject persons to ensure compliance with their AML/CFT obligations. Monitoring is conducted both through on-site compliance examinations as well as through off-site assessments of subject persons conducting "relevant financial business" or "relevant activity" in terms of the PMLFTR.

In line with international standards, the FIAU adopts a risk-based supervisory approach to monitor subject persons falling within the FIAU's responsibility. The information used to carry out these risk assessments is obtained through off-site monitoring, including the review of material provided by subject persons through the submission of ACRs and on-site examinations carried out by the FIAU itself or by supervisory authorities acting on behalf of the FIAU.

### On-site monitoring

An on-site examination typically involves an interview with the MLRO, a review of a sample of customer files as well as a review of the subject person's policies and procedures. Compliance officers assess the extent to which the subject person is fulfilling its obligations under the PMLFTR and the Implementing Procedures.

During the year under review, the FIAU and the MFSA acting on behalf of the FIAU together carried out a total of 71 on-site compliance examinations, the highest annual figure recorded. This sharp rise was made possible through the increase in the number of compliance officers within the FIAU and their involvement in supervisory visits in relation to both the financial and DNFBP sectors.

On-site AML/CFT examinations conducted by the FIAU subdivided into DNFBP & the financial sector

	2013	2014	2015
DNFBP	13	10	28
Financial sector	4	14	19

### Off-site monitoring

Monitoring of subject persons is also conducted through the off-site reviews of the information made available to the FIAU. In addition to specific requests for information, subject persons are also required to submit a completed ACR on an annual basis. The information obtained from the ACR and other sources

*"...the FIAU and the MFSA acting on behalf of the FIAU together carried out a total of 71 on-site compliance examinations, the highest annual figure recorded."*



On-site AML/CFT examinations conducted by the FIAU and the MFSA

	2013	2014	2015
FIAU	17	24	47
MFSA	36	23	24
<b>TOTAL</b>	<b>53</b>	<b>47</b>	<b>71</b>



Percentage increase over the previous year in the submission of ACRs

Years	Percentage increase
2013 - 2014	14%
2014 - 2015	25%

is collated and processed by the FIAU to enable it to have a clearer picture of the processes in place within the subject persons' systems and to be able to risk rate the subject persons. This is considered to be the first significant step towards a fully-fledged risk-based approach to AML/CFT supervision.

The number of ACRs received in 2015 increased by 25% over the previous year. This has enabled the FIAU to be in a much better position to assess and determine the ML/FT risks presented by different categories of subject persons and the various operators within those categories.

### Administrative Sanctions

The Compliance Monitoring Committee, an internal body set up by the FIAU's Board of Governors to assist the Director in carrying out his functions at law, considers cases brought before it pertaining to potential breaches of the PMLFTR, the Implementing

Procedures and other guidance notes that may be issued by the FIAU.

The main functions of the Committee, which is chaired by the Director, include the consideration of:

- Contraventions by subject persons of any of the provisions of the PMLFTR, the Implementing Procedures or guidance notes; and/or
- Failures by subject persons to comply with any lawful requirement, order or directive issued by the FIAU under the PMLFTR or PMLA.

The Committee considers the potential failures and breaches brought to its attention with a view to determining whether an administrative sanction (either an administrative penalty or a reprimand in writing) is warranted in the circumstances. The quantum of any administrative penalty is also decided by the Committee.

During 2015, the Committee met 12 times to assess cases of potential breaches of the pertinent rules and regulations that were identified through on-site compliance examinations, off-site monitoring and information obtained from supervisory authorities.

Seventy-six fines, reprimands and warnings were issued in respect of subject persons where a determination was made that they had infringed the provisions of the PMLFTR or the Implementing Procedures.



## Number of administrative sanctions imposed (2013-2015)

	2013	2014	2015
Reprimands	3	65	20
Administrative penalties	7	35	56

## Administrative sanctions imposed during 2015 by sector – DNFBP and the financial sector

	Reprimands	Penalties
DNFBP	6	40
Financial sector	14	16

accountants and auditors, notaries, insurance brokers, credit institutions, company service providers and providers of investment services.

Administrative action was also taken against subject persons who did not comply with their duty to submit the ACR in 2015.

On 27 May, 2015, the FIAU published its policies and procedures on the publication of AML/CFT penalties in terms of Article 13A of the PMLA, a new provision that was introduced by virtue of Act III of 2015. The PMLA now requires the FIAU to publish the administrative penalties it imposes where the amount of the penalty is equivalent to or exceeds €1,500.

In the year under review, two Administrative Penalty Publication Notices were issued and these were posted on the FIAU website in accordance with the aforementioned policy.

*“On 27 May, 2015, the FIAU published its policies and procedures on the publication of AML/CFT penalties”*

The total figure for penalties levied in 2015 amounted to €160,100. The figure includes two aggregate penalties of €40,900 and €40,100 imposed separately on two investment services companies for breaches of their customer due diligence obligations. Other administrative sanctions (including both administrative penalties and reprimands) were imposed on trustees and fiduciaries, advocates,

## MONEY LAUNDERING CASES

The Maltese courts handed down five money laundering convictions in 2015, one of which was confirmed on appeal. Another three money laundering convictions delivered in 2014 were confirmed on appeal in 2015. The summaries below give a brief overview of these judgments.



IL-PULIZIJA  
V.  
GODFREY CUTAJAR

COURT OF MAGISTRATES (MALTA)  
AS A COURT OF CRIMINAL JUDICATURE  
23 FEBRUARY, 2015

**Nature of laundering offence:** Third-party laundering  
**Type of predicate offence:** Bribery  
**Penalty:** 14 months imprisonment suspended for three years and a fine (multa) of €20,000

Godfrey Cutajar admitted to charges of money laundering and other offences, including making false declarations or giving false information to a public authority and forgery. Cutajar, acting on behalf of a Maltese company, laundered the proceeds of a bribe that was paid to a public official.

IL-PULIZIJA  
V.  
RUTH GATT

COURT OF MAGISTRATES (MALTA)  
AS A COURT OF CRIMINAL JUDICATURE  
23 MARCH, 2015

**Nature of laundering offence:** Third-party laundering  
**Type of predicate offence:** Misappropriation  
**Penalty:** Three years imprisonment

Ruth Gatt was found guilty of money laundering after having been in possession and depositing funds in her bank accounts knowing that these originated from illegal acts perpetrated by a third party. Gatt, at the time a public official, was also found guilty of disclosing professional secrets and of drug possession.

IR-REPUBBLIKA TA' MALTA  
V.  
STIANO AGIUS

CRIMINAL COURT  
26 JANUARY, 2015

**Nature of laundering offence:** Self laundering  
**Type of predicate offence:** Drug-related offences  
**Penalty:** 11 years imprisonment and fine (multa) of €30,000

Stiano Agius was accused and found guilty of money laundering and other drug-related offences, as well as of being in possession of ammunition without the necessary licence. Agius was found to be in possession of funds whose origin could not be explained. Moreover, given his involvement in drug trafficking and possession, these funds were believed to be of illicit origin, leading to his money laundering conviction.

THE POLICE  
V.  
VLADIMIR OMAR FERNANDEZ DELGADO

COURT OF MAGISTRATES (MALTA)  
AS A COURT OF CRIMINAL JUDICATURE  
29 APRIL, 2015

**Nature of laundering offence:** Third-party laundering  
**Type of predicate offence:** Drug-related offences  
**Penalty:** Three years imprisonment and a fine (multa) of €20,000

Vladimir Omar Fernandez Delgado was convicted of money laundering in relation to money remittances he effected for a third party who was found to be in possession of illicit drugs. The Court reached its decision on the basis of the fact that Fernandez Delgado provided no reasonable explanation to substantiate his claim that the funds were earned or acquired licitly. Moreover, given the specific circumstances of the case, the Court concluded that the defendant ought to have suspected that the funds being remitted were of illicit origin.

#### Appeals Cases

IL-PULIZIJA  
V.  
RODERICK DELIA & FREDDIE DELIA  
COURT OF CRIMINAL APPEAL  
26 FEBRUARY, 2015

In this case the Court of Criminal Appeal rejected the appeal of Roderick Delia and Freddie Delia to reverse the money laundering conviction and confirmed the sentence awarded by the Court of Magistrates on the 28 October, 2014, in its entirety.

THE POLICE  
V.  
ATINUKE NNE UGOJI  
COURT OF MAGISTRATES (MALTA)  
AS A COURT OF CRIMINAL JUDICATURE  
12 MAY, 2015

**Nature of laundering offence:** Third-party laundering  
**Type of predicate offence:** Drug-related offences  
**Penalty:** Fine (multa) of €8,500

Atinuke Nne Ugoji was accused and found guilty of money laundering and for not having declared to the Customs authorities on leaving Malta that she was in possession of a sum in excess of €10,000 in accordance with the requirements under the Cash Controls Regulations. In this case it was determined that the prosecution had proved the link between the money found in the possession of the accused and the underlying crime of drug trafficking. On this basis, the onus of proof was shifted onto the accused, who failed to give a plausible explanation on the origin of the money she was carrying.



IL-PULIZIJA  
V.  
FABIO ZULIAN  
COURT OF CRIMINAL APPEAL  
12 MAY, 2015

The Court of Criminal Appeal upheld the money laundering conviction handed down by the Court of Magistrates on the 16 December, 2014, but opted to reduce the imprisonment term from seven years to six years.

THE POLICE  
V.  
OSITA ANAGBOSO OBI  
COURT OF CRIMINAL APPEAL  
30 SEPTEMBER, 2015

The Court of Criminal Appeal did not uphold the appeal of Osita Anagboso Obi, who had asked for the revision of the judgment of the Court of Magistrates of the 9 December, 2014, that had established his guilt in relation to charges of money laundering and of carrying cash in excess of €10,000 without making the necessary customs declaration. Nonetheless the Court of Criminal Appeal reduced the term of imprisonment from four years to two years.

THE POLICE  
V.  
VLADIMIR OMAR FERNANDEZ DELGADO  
COURT OF CRIMINAL APPEAL  
19 NOVEMBER, 2015

The Court of Criminal Appeal in this case confirmed the money laundering conviction of the Court of Magistrates of 29 April, 2015. However, it revised the sentence, reducing it from three years' imprisonment and a fine (multa) of €20,000 to two years' imprisonment.

## 3. MANAGEMENT & TRAINING



### THE BOARD OF GOVERNORS

Twelve meetings of the Board of Governors were held during 2015.

A number of key decisions were taken during the year to strengthen the FIAU's internal administrative structures. These included the drawing up of a confidentiality policy and an information security policy, the adoption of policies and procedures on the publication of penalties, the commissioning of a review of the internal processes within the Compliance Section, the setting up of an internal procedure to deal with subject persons failing to comply with their obligation to submit the ACR, and the adoption of policies and procedures on the proceedings of the Compliance Monitoring Committee, together with internal guidelines and procedures for the imposition of sanctions.

### THE DIRECTOR

The year under review posed a number of challenges, both in terms of the exercise of the FIAU's core functions and also from an operational perspective.

The escalation of terrorism in Europe and the phenomenon of terrorist fighters making their way to training areas in the Middle East and North Africa with the intention of returning to cause havoc in Europe has placed a lot of pressure on FIUs. ML/FT, indeed, has become central in the European and global agenda in

2015, with an increasing possibility that it will remain so for some years to come.

This phenomenon has had an impact on the priorities set by the FIAU during the year and has influenced the legislative drive. As always, novel situations that may arise necessitate new tools, together with renewed specialisation and resources, which very often are not readily available and difficult to come by.

In the meantime, the Financial Services Assessment Programme for Malta, a broad review of a country's financial sector carried out periodically by the IMF to assess the stability and development aspects within that jurisdiction, scheduled for the second half of 2017, and the 5th Round MONEYVAL evaluation of Malta's AML/CFT structures planned for 2018 remain the two crucial milestones that will continue to drive the FIAU agenda over the next few years. In the legislative sphere in particular, a lot is being done and will continue to take place, especially in terms of the transposition of the 4th EU AMLD.

A key priority during 2015 was the strengthening of the FIAU's compliance monitoring capabilities. This was facilitated by the move to new premises in June, a development that made it possible for additional staff to be accommodated. The increase in the number of on-site examinations carried out during the year appears to indicate that there has been an increase in supervisory effectiveness and the intention is to continue to intensify the FIAU's on-site presence across the different sectors in the coming months.



The major shift towards a more risk-based approach in the revised FATF Recommendations and in the 4th EU AMLD has also necessitated a change in supervisory approach. This has given rise to a revision of work streams, new mechanisms for selection of entities to be subjected to on-site examinations based on the preliminary conclusions of the NRA and the initiation of a process to revamp the methodology and documents used by inspectors during on-site examinations. These developments are aimed at revolutionising the supervisory approach of the FIAU as from mid-2016 and will include important changes to the data collection processes currently in place, including the content of the ACR, a revamp of the risk-rating system and the actual conduct of the supervisory visit.

Notwithstanding these legislative and supervisory developments, the core function of the Unit remains that of receiving STRs, analysing intelligence, carrying out forensic analysis of transactions and corporate structures, obtaining information from obliged entities and exchanging information with other FIUs. This point cannot be overstated and, even though a lot is happening on various fronts, it would be wrong for the FIAU not to dedicate the greater part of its time and resources to its investigative work and to developing its expertise in this area.

The FIAU also has an important role in identifying the changes in ML/FT typologies and trends. Moreover, it has a function in analysing the risks of ML/FT posed by various situations evolving domestically and internationally, together with the vulnerabilities of our national systems. Although it may sometimes appear to be difficult for a minuscule entity like the FIAU to influence the country's agenda, it remains incumbent on the FIAU to bring these matters to the attention of the authorities concerned and to do everything in its powers for efforts to be made to tackle risk areas and to address the vulnerabilities that expose the country to higher levels of risk.

An important development from a governance point of view was that Mr Alfred Zammit was promoted to the position of Deputy Director of the FIAU. He is the first person to occupy this position, following its introduction as part of the restructuring process that was undertaken in accordance with the FIAU development plan.

## TRAINING

### Training received by FIAU staff

Although specialised training is not always easy to come by, efforts are continuously being made to ensure that FIAU officers are trained on an ongoing basis both in Malta and overseas.

In 2015, particular importance was given to training on FT matters. In particular, an EU-US experts' seminar, held in February to discuss ISIL financing and countering financing of terrorism, was attended by FIAU officials. The FIAU was also represented at an FIU workshop on terrorist financing, where FIU experts shared experiences on cases of ISIL funding, special cases of funding of foreign terrorist fighters, the implementation of sanctions, information sharing and co-operation at an international level.

Officers within the Financial Analysis Section, in particular, attended a specific training course on combating terrorist financing organised by the International College of Financial Investigation in co-operation with the Egmont Group's Europe I Region, held in Budapest, and a course on counterterrorism and applied intelligence in The Hague.

Seminars organised domestically on "Detecting and preventing internal and external fraud" and "Counteracting money laundering stemming from corruption" were also attended.

Moreover, officers from the Compliance Section took part in the "9th Annual European AML and Financial Crime Conference" organised by the AMLP Forum in London and the "11th Annual AML and Financial Crime Conference" organised by ACAMS in London.

Of particular relevance was the seminar on AML organised by the Federal Reserve System in Washington, which provided an understanding of the importance of reviewing the ML/FT operational, legal and reputational risks. Compliance Officers also attended several other seminars organised in Malta to keep abreast with developments within the financial and gaming sectors.

FIAU officials from the Financial Analysis, Compliance and Legal and International Relations Sections also attended a training course on the "Financial Sector Assessment Programme" in view of the preparations being undertaken for the assessment to be carried out on Malta by the IMF.



FIAU analysts attending a course on combating terrorist financing in Budapest, Hungary

### Training provided by the FIAU

In 2015 the FIAU participated at a number of training events organised by private bodies and consultancy firms aimed at raising further awareness and providing more guidance on the AML/CFT obligations of subject persons. Particular focus was given to legislative developments that were introduced in 2014 and 2015.

Specific training on AML was also provided to newly appointed inspectors of the Police force to be assigned duties connected to financial crime.

The Director was involved in delivering training both in Malta and abroad. Besides delivering presentations during national conferences and seminars, he was also

invited on more than one occasion to participate in panel discussions on various subjects related to the work of the FIAU. In addition, he was involved in the delivery of presentations related to the proposed legislative measure to limit the use of cash in financial transactions.

Dr Galdes was also invited by TAIEX (the technical assistance and information exchange instrument of the European Commission) to deliver training to officers from the Israeli Government, Attorney General's office, financial sector supervisory bodies, central bank and security services on the carrying out of an AML/CFT national risk assessment. In October, he also accepted another invitation by TAIEX to address the 17th International Forum for Public Prosecutors on the Fight against Organised Crime, held in Munich.

## 4. OTHER DEVELOPMENTS & INITIATIVES

### JOINT COMMITTEE FOR THE PREVENTION OF ML/FT

The JCPMLFT is an ad-hoc committee that brings together representatives of the various entities and persons subject to AML/CFT obligations and the competent authorities involved in combating ML/FT. The JCPMLFT met four times in 2015 discussing various topics of AML/CFT relevance, including revisions of EU and national AML/CFT legislation and guidance, joint training initiatives to strengthen AML/CFT awareness among the involved sectors and the drafting of sector-specific implementing procedures. This committee is chaired by the Director of the FIAU.

### AMENDMENTS TO THE PMLFTR, THE PMLA AND OTHER LAWS RELATED TO THE PREVENTION OF ML/FT

On the 20 February, 2015, Act III of 2015 came into force introducing various amendments to the PMLA and other laws. These amendments implemented several recommendations made by MONEYVAL in Malta's 4th Round Mutual Evaluation Report and introduced other amendments to strengthen the current legislative framework. Legal Notices 77 and 78 of 2015 amending the PMLFTR were also published during the year.

### FATF STATEMENTS

The FATF identifies and lists jurisdictions with strategic AML/CFT deficiencies in public documents which are issued three times a year, in February, June and October. The FIAU publishes these public documents on its website and circulates them among all subject persons to assist them in their obligation to carry out a higher level of customer due diligence when dealing with non-co-operative and high-risk jurisdictions.

### AMENDMENTS TO THE IMPLEMENTING PROCEDURES

Amendments were carried out on 26 February, 2015, to the Implementing Procedures (Part I). These amendments dealt primarily with the reports and documents that are submitted to the FIAU by subject persons – the ACR, the STR and the MLRO Details Sheet.

On 30 November, 2015, the FIAU issued a further set of amendments to the Implementing Procedures (Part I) for consultation. These proposed amendments seek to ensure that the Implementing Procedures (Part I) are in line with the recent legislative amendments to AML/CFT legislation. They also propose the use of new technologies and methods to carry out customer due diligence, and aim at providing additional guidance on the implementation of various AML/CFT obligations.

A set of sector-specific Implementing Procedures for land-based casinos were published by the FIAU on 25 September, 2015. These intend to provide focused guidance on AML/CFT obligations for casino operators.



Presentation of certificates to BOV employees who successfully completed the cash handling course organised jointly by the FIAU and the CBM.

### THE NATIONAL PROJECT FOR THE CERTIFICATION OF CASH HANDLERS

The National Project for the Certification of Professional Cash Handlers was developed by the Central Bank of Malta and the FIAU with the support of the Malta Bankers Association. This project was launched in 2015 and is specifically designed to train cash handlers, providing them with the necessary skills to assist them in the fight against the counterfeiting of banknotes, ML and FT. This project intends to initially target cash handlers in credit institutions and then focus on financial institutions and the retail sector.

During the year, several employees from different commercial banks and the Central Bank of Malta completed the course successfully.

### ADOPTION OF THE 4TH AMLD AND THE REVISED FUNDS TRANSFERS REGULATION

The 4th AMLD (Directive (EU) 2015/849) and the revised Funds Transfers Regulation (Regulation (EU) 2015/847) were published in the Official Journal of the EU on 5 June, 2015. The Directive came into force on 26 June, 2015, and member states were given two years to transpose it into national law.

The Funds Transfers Regulation, on the other hand, will come into force on 26 June, 2017, to coincide with the transposition deadline of the 4th AMLD. The Maltese authorities that will be involved in the process of transposition have agreed on a plan to meet the deadline established by this Directive.



## INTERPRETATIVE NOTE ON THE AML/CFT OBLIGATIONS OF LEGAL PROCURATORS

The FIAU issued an interpretative note aimed at assisting legal procurators in determining which activities they carry out in the course of their profession are subject to the AML/CFT obligations under the PMLFTR. This interpretative note was published on 20 May, 2015, following consultation with the College of Legal Procurators.

*“In line with previous years, the FIAU has continued to implement a number of environmental policies aimed at minimising energy usage and the reduction of the Unit’s carbon footprint.”*

## POLICIES AND PROCEDURES ON THE PUBLICATION OF ADMINISTRATIVE PENALTIES

In line with the requirements set out under Article 13A of the PMLA, the Board of Governors established the policies and procedures that will govern the publication of administrative penalties by the FIAU. Following the entry into force of this article on 20 February, 2015, the FIAU is required to publish the administrative penalties it imposes, where the amount of the penalty is equivalent to or exceeds €1,500. These policies and procedures were made available on the FIAU’s website.

## SUSTAINABLE DEVELOPMENT

In terms of Article 7(3)(c) of the Sustainable Development Act (Cap 521 of the Laws of Malta), the Director of the FIAU had been designated as the Sustainable Development Focal Point of the Unit. In fulfilling this role, the Director will assist the permanent secretary within the Ministry of Finance, who acts as a Sustainable Development Co-ordinator, in developing the Ministry of Finance’s position in relation to any request by the Ministry for Sustainable Development, the Environment and Climate Change.

In line with previous years, the FIAU has continued to implement a number of environmental policies aimed at minimising energy usage and the reduction of the Unit’s carbon footprint. In this regard, the Unit has ensured that the new premises, which are now being occupied, host a number of energy saving measures.

Measures carried forward from previous years include the continued application of a policy requiring double-sided printing, energy-efficient lighting elements, the use of Energy Star-certified computers as well as the activation of energy-saving features on all monitors and printers to ensure that they switch to sleep mode when not in use. In addition, the FIAU also has a continued process of segregating waste through the use of degradable recycling bags.

On moving to its new premises, the Unit has also implemented the use of energy efficient devices throughout all the offices, including photocopiers, air-conditioning systems and white goods. The offices are accessed through an energy efficient lift and timed lighting in the common areas to reduce electrical consumption. The offices also feature double glazed windows and doors, as well as roller blinds to reduce solar gain.

The decision taken in 2013 for the annual report of the FIAU to be released in electronic format and distributed by means of a USB drive was re-confirmed in 2015. This measure is mainly intended to reduce paper usage.

## 5. PARTICIPATION IN INTERNATIONAL FORA

### THE EUROPEAN UNION COMMITTEE ON THE PREVENTION OF ML/FT

The EGMLTF is tasked with advising the EU Commission on AML/CFT issues, while also serving as a forum for the exchange of views between member states and the EU Commission on AML/CFT matters. The EGMLTF is composed of representatives from each EU member state, who meet periodically in Brussels. The Government of Malta is represented at these meetings by FIAU officials.

Two EGMLTF meetings were held on 28 January and 5 October, 2015. Notable matters that featured on the agenda of these two meetings were the national risk assessments being held by the various member states, the ongoing work on the supranational risk assessment being undertaken by the EU Commission, discussions on ongoing work in the field of virtual currencies, updates on the transposition of the 4th AMLD and discussions on mutual evaluation reports of EU member states.

### EU-FIU PLATFORM

The FIU Platform was set up by the European Commission in 2006 and brings together the Heads of FIUs from all the member states.

The matters discussed during the three meetings held, respectively, on 3 March, 1 July and 10 October, 2015, were the adoption of the 4th AMLD and Funds Transfer Regulation, the enhancement of co-operation between EU FIUs with a special focus on tackling terrorist financing, the development of FIU.net and its embedment within EUROPOL. During this year the FIU Platform members also discussed and evaluated the role and function of the FIU-Platform within the revised legislative framework under the 4th AMLD, identifying various projects to be undertaken by the FIU Platform.

### WORKSHOPS ON THE TRANSPOSITION OF THE AMLD

Transposition workshops to discuss implementation challenges, interpretation issues and to exchange

experiences on the transposition of the 4th AMLD were organised by the European Commission on 25 September and 27 November, 2015. The key issues discussed by the representatives of EU member states and which characterised these first two workshops were implementation issues on customer due diligence, beneficial ownership provisions and gambling services.

### CONFERENCE OF THE PARTIES TO CETS NO. 198

The FIAU was represented on the Maltese Delegation at the 7th meeting of the Conference of the Parties (CETS 198), which took place on 5 and 6 November, 2015, at the Council of Europe in Strasbourg. The topics that dominated the agenda were the elections of Chair and Bureau Members, and the status of signatures and ratifications of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism. Assessment reports on the implementation of CETS No. 198 by signatory jurisdictions were also discussed and adopted.

### THE EGMONT GROUP

The Egmont Group of FIUs met in June in Bridgetown, Barbados. The 2015 Egmont Plenary also marked the 20th anniversary of the Egmont Group. The Plenary, held annually, brings together the Egmont member FIUs and observer organisations for in-depth discussions and training sessions on relevant topics to further the development of the international FIU network, as well as to assist FIUs in meeting their mandates.

During the course of the Plenary, the FIUs of Cambodia, Cuba, Nepal and Niger were endorsed as new members of the Egmont Group. These FIUs were the first FIUs to be recommended for membership since the organisation adopted revised membership criteria at the 22nd Egmont Group Plenary, held in Peru in 2014.

The Egmont Heads of FIU approved a new Working Group structure for the organisation, moving from

## APPENDIX



Participants at the 2015 Egmont Plenary in Bridgetown, Barbados

five Working Groups (Outreach, Training, Legal, Operational and IT) to four new Working Groups to be constituted in early 2016. The new working groups now cover: Information Exchange on ML/FT; Membership, Support and Compliance; Policy and Procedure; and, Technical Assistance and Training. The Heads of FIU also endorsed the Egmont Group's Communication Strategy, recognising the importance of internal communication and co-ordination, and the interaction with other stakeholders, appointing Sergio Espinosa (Head of FIU of Peru) as the new Chair of the Egmont Group.

The Plenary was attended by 295 participants representing 110 FIUs, 10 observer organisations and three international organisations.

The Heads of FIU also authorised the release of a Communiqué that committed the Egmont Group to use its unique global network to combat ML and FT in support of the efforts of its international partners to give effect to statements by the G20 Finance Ministers, the FATF and the United Nations Security Council's Monitoring Team for greater international co-operation and exchange of operational information to combat ISIL and foreign terrorist fighters. The Egmont Group announced that it is committed to producing an in-depth analytic study on terrorist financing by ISIL FTFs by September 2015.

Earlier in the year, the Egmont Committee meetings and Working Group meetings were held in Berlin, Germany. The FIAU was represented by one official, who participated in the discussions held within the Operational Working Group.

## MONEYVAL

The Deputy Chairman and the Director of the FIAU participated in the three MONEYVAL plenary meetings held in Strasbourg during the year. Dr Bartolo, as current Chairman of MONEYVAL, chaired all three plenary meetings.

During the course of the 49th plenary meeting held in December, Malta was removed from the regular follow-up procedure since it was agreed that the country had demonstrated sufficient action to address the shortcomings identified in the Fourth Round Mutual Evaluation Report.

In November, the Director participated in the MONEYVAL training seminar for the 5th round evaluators held in Triesen, Liechtenstein. During the course of 2016 he will be participating in the 5th evaluation of AML/CFT measures in the Isle of Man as a law enforcement evaluator.



Participants at the MONEYVAL training seminar for the 5th round evaluators held in Triesen, Liechtenstein

### Requests for co-operation and assistance (2015)

Requests received by the FIAU		Jurisdiction	Requests made to other FIUs	
N°	Replies		N°	Replies
-	-	Andorra	1	-
-	-	Anguilla	2	2
1	1	Armenia	-	-
2	2	Austria	2	2
1	1	Azerbaijan	-	-
7	7	Belgium	4	4
-	-	Belize	1	1
-	-	Brazil	1	1
-	-	British Virgin Islands	4	4
-	-	Bulgaria	1	1
-	-	Cameroon	1	-
1	-	Canada	-	-
1	1	Cayman Islands	-	-
1	1	Croatia	1	1
-	-	Curacao	1	1
-	-	Cyprus	5	5
2	2	Czech Republic	1	1
1	1	Denmark	1	1
-	-	Estonia	2	2
8	8	France	2	2
1	1	Germany	9	9
-	-	Gibraltar	1	1
-	-	Greece	1	1
2	2	Guatemala	-	-
2	2	Holy See	-	-
-	-	Hong Kong	5	5
6	5	Hungary	-	-
-	-	Ireland	1	1
1	1	Isle of Man	-	-
21	19	Italy	25	22
-	-	Ivory Coast	1	1
1	1	Jersey	3	3
1	1	Kazakhstan	-	-
-	-	Latvia	6	6
1	1	Liechtenstein	-	-

Requests received by the FIAU		Jurisdiction	Requests made to other FIUs	
N°	Replies		N°	Replies
2	1	Lithuania	4	3
4	4	Luxembourg	3	3
1	1	Macao	-	-
-	-	Malaysia	1	1
-	-	Marshall Islands	1	1
2	2	Mauritius	4	3
5	5	Moldova	-	-
-	-	Monaco	2	2
6	6	Netherlands	4	4
2	2	New Zealand	1	1
1	1	Norway	2	2
-	-	Panama	2	1
1	1	Philippines	-	-
2	2	Poland	3	3
1	1	Portugal	-	-
1	1	Romania	3	2
-	-	Russia	3	3
-	-	South Korea	1	1
-	-	St. Kitts and Nevis	2	2
-	-	St. Lucia	1	-
1	1	San Marino	-	-
-	-	Seychelles	2	2
1	1	Slovakia	-	-
-	-	Slovenia	2	2
1	1	South Africa	-	-
-	-	Spain	3	3
-	-	Sweden	1	1
7	6	Switzerland	12	12
1	1	Taiwan	-	-
4	4	Turkey	1	1
-	-	United Arab Emirates	7	7
2	2	Ukraine	5	5
14	12	United Kingdom	21	19
5	4	United States of America	5	5
-	-	Uzbekistan	1	1





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