

Case Study 1: Gaming Company

CASE STUDY 1: GAMING COMPANY

Follow-Up Directive

Obligation	Failures	Follow Up Directive Issued
Customer Risk Assessment	<ul style="list-style-type: none">• Inadequate CRAs in view of limited information collected on the players• Not based on 4 risk pillars – focused only on deposits and withdrawals	<ul style="list-style-type: none">• An updated CRA together with its methodology
Customer Due Diligence	<ul style="list-style-type: none">• Customers allowed to continue depositing despite having reached the EUR2,000 threshold without collecting verification documentation• Additional information on top depositors not requested• Failed to honour intermediary agreement• No EDD measures for high-risk customers	<ul style="list-style-type: none">• Updated policies and procedures• Updates in relation to the intermediary agreements in place

CASE STUDY 1: GAMING COMPANY

Follow-Up Directive

Obligation	Failures	Follow Up Directive Issued
Transaction Monitoring	<ul style="list-style-type: none">• No systems in place to automatically flag irregular transactions or expired customer documentation• Player transactions not in line with information held on file	<ul style="list-style-type: none">• Updated policies and procedures• The Company’s plan re. transaction monitoring
Ongoing Monitoring	<ul style="list-style-type: none">• Open-source checks not corroborated	<ul style="list-style-type: none">• The manner in which the Company will determine if information obtained from open-source checks is indeed relevant and valid

GAMING COMPANY: OVERVIEW

- ➔ Meetings Held: 3 (CRA, TM system and outcome of sampled files)
- ➔ Action Plan: Endorsed

No.	Breach Category	Brief Explanation of Breach	Officer responsible for Remedial Action	Remedial Action undertaken so far
0 (Example)	Customer Risk Assessment (CRA)	Subject Person's CRAs did not take into consideration all four risk risk factors when assessing the risk rating assigned to customers	John Borg	The Subject Person has implemented a system which considers all four risk factors to assess its customers. Any customers onboarded post 1 January 2020 consider all four risk factors when risk scoring the client .
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Additional Remedial Action planned to be undertaken	Documentary Evidence Provided?	Name of Documentary Evidence	Expected Date of Completion	Additional Remarks
The Subject Person shall be going through all customers onboarded pre 1 January 2020, and updating their CRA to reflect all four risk factors	Yes	Annex A - Customer Risk Assessment Methodology Annex B - CRA File. 123	30/06/2020	The Subject Person shall be assessing their CRA methodology annually thus ensuring all risk factors and weightings assigned are adequate.



GAMING COMPANY: CUSTOMER RISK ASSESSMENT (CRA)

Breach Description	Phase 1	Phase 2
Inadequate CRAs	<p>Reviewed CRA methodology:</p> <ul style="list-style-type: none">No longer solely focuses on the customer's withdrawalsConducted at onboarding and after 180 days from registration (even if EUR2,000 threshold has not been reached)	<p>File reviews:</p> <ul style="list-style-type: none">Attested methodologyPlayer risk ratings changed multiple timesAccount was blocked when the player was attributed a higher risk rating and was uncooperative



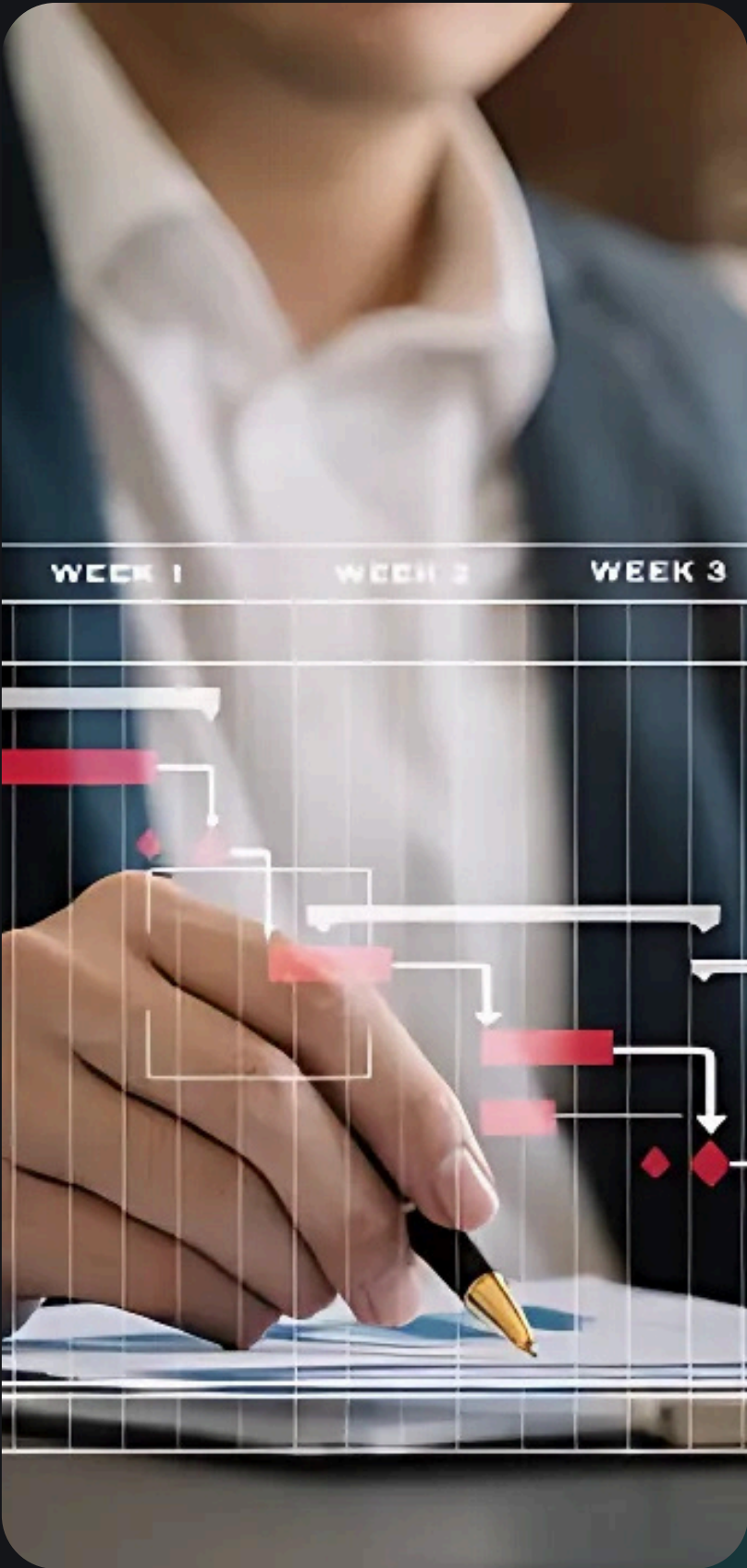
GAMING COMPANY: CUSTOMER DUE DILIGENCE (CDD)

Breach Description	Phase 1	Phase 2
Failure to collect information and/or documentation	<p>Reviewed updated policy document:</p> <ul style="list-style-type: none">• ID and V documents collected at onboarding and after 180 days from registration (even if EUR2,000 threshold has not been reached)• Took note of Declaration provided• Intermediary agreements terminated	<p>File reviews:</p> <ul style="list-style-type: none">• Attested policies and procedures• Supporting docs in relation to SOF were found on file even when EUR2,000 threshold had not been reached

Due Diligence

GAMING COMPANY: TRANSACTION MONITORING

Breach Description	Phase 1	Phase 2
No Transaction Monitoring system in place	SP implemented three different systems monitoring different game types working in silos	File reviews: <ul style="list-style-type: none">Company asked for supporting documentation re SOW/SOF when there were discrepancies between the stated income and deposits



GAMING COMPANY: ONGOING MONITORING

Breach Description	Phase 1	Phase 2
Open-source checks not corroborated	SP started making use of new screening system which detects mismatches	File reviews: <ul style="list-style-type: none">Attested implementation of system



GAMING COMPANY: CONCLUSION OF DIRECTIVE

➔ Additional recommended actions:

- To include risk score bands in CRA methodology
- To ensure that there are no discrepancies within the Company's policies and procedures
- To ensure that all existing systems are enhanced and integrated to ensure seamless interoperability

➔ Closure Status:

- Closed with Recommendations





Case Study 2: Accountant/Auditor

CASE STUDY 2: ACCOUNTANT/AUDITOR

Remediation Directive

Obligation	Failures	Remediation Directive Issued
Customer Due Diligence	<ul style="list-style-type: none">Incorrect determination of the beneficial owner (BO)	<ul style="list-style-type: none">Ensure that a thorough review of the Memorandum and Articles of Association of the customers is carried outUpdated policies and procedures
Enhanced Due Diligence	<ul style="list-style-type: none">Enhanced Due Diligence measures not conducted for high-risk customers even though high risk elements were present	<ul style="list-style-type: none">Updated policies and procedures

CASE STUDY 2: ACCOUNTANT/AUDITOR

Remediation Directive

Obligation	Failures	Remediation Directive Issued
Reporting Obligations	<ul style="list-style-type: none">Instances where it was noted that a suspicious transaction report (STR) or suspicious activity report (SAR) was not submitted	<ul style="list-style-type: none">Attends training on STR obligations and provide proof of the training attended
Record Keeping	<ul style="list-style-type: none">Documented record keeping procedures not in line with obligationsProcedures not implementedMinimal documentation on fileDiscrepancy between client list and clients serviced	<ul style="list-style-type: none">Updated policies and proceduresPlan to ensure that client list is kept up to date

ACCOUNTANT/AUDITOR: OVERVIEW

- Meetings Held: 1 (All action points)
- Action Plan: Not applicable



ACCOUNTANT/AUDITOR: CUSTOMER DUE DILIGENCE (CDD)

Breach Description	Phase 1	Phase 2
Incorrect determination of BO	<p>Reviewed updated Policies and Procedures:</p> <ul style="list-style-type: none">• Include new clause in relation to the collection of the latest Memorandum and Articles of Association (M&As) to establish the control structure of the customer• Also include requirement to review the classes of shares or voting rights attributed to the shares held <p>Noted additional remedial action:</p> <ul style="list-style-type: none">• Reviewed all customers and revisited their M&As to ensure that correct BOs have been identified	N/A

Due Diligence

ACCOUNTANT/AUDITOR: ENHANCED DUE DILIGENCE (EDD)

Breach Description	Phase 1	Phase 2
EDD measures not conducted	<ul style="list-style-type: none">• Additional information and/or documentation is now being collected by the SP corroborating customer profiling information which include:<ul style="list-style-type: none">◦ Payslips◦ FS3s◦ Yearly reconciliation of the Shareholders' loan balance• SP increased transaction scrutiny in cases as well as the frequency of CRA updates in cases requiring EDD	N/A



ACCOUNTANT/AUDITOR: REPORTING OBLIGATIONS

Breach Description	Phase 1	Phase 2
STR/SAR not submitted	<ul style="list-style-type: none">SP provided copies of workshop attended in relation to reporting specific to Accountants and Auditors	N/A



ACCOUNTANT/AUDITOR: RECORD KEEPING

Breach Description	Phase 1	Phase 2
Inadequate record keeping procedures	<ul style="list-style-type: none">Reviewed updated record keeping proceduresNoted that SP organised all information collected I separate files creating a distinction between information collected for audit purposes and information obtained for AML/CFT purposesNoted that SP’s client list is now being updated more regularly	N/A



ACCOUNTANT/AUDITOR: OTHER OBLIGATIONS NOT SUBJECT TO DIRECTIVE

Obligation	Phase 1	Phase 2
Customer Profiling	<ul style="list-style-type: none">SP explained that it updated its onboarding forms and linked information gathered from customer with the Customer Risk Assessment	N/A
Politically Exposed Persons (PEPs)	<ul style="list-style-type: none">SP included PEP declaration in onboarding form	N/A



ACCOUNTANT/AUDITOR: CONCLUSION OF DIRECTIVE

→ Recommended actions:

- To add specific considerations relating to potential risk indicators in Policies and Procedures
- To ensure that the SP does not adopt a one size fits all approach in the carrying out of EDD measures since this will not always achieve complete mitigation

→ Closure status:

- Closed with Recommendations





Case Study 3: Notary

CASE STUDY 3: NOTARY

Remediation Directive

Obligation	Failures	Remediation Directive Issued
Customer Risk Assessment	<ul style="list-style-type: none"> No documented CRA for all files 	<ul style="list-style-type: none"> To make available copy of CRA template & methodology
Policies & Procedures	<ul style="list-style-type: none"> No documented risk management procedures in place 	<ul style="list-style-type: none"> To make available updated AML/CFT policy & procedures manual and KYC forms for natural persons and legal persons
Business Risk Assessment	<ul style="list-style-type: none"> BRA submitted following examination found to be inadequate <ul style="list-style-type: none"> Scores and weighting assigned to risk factors to calculate risk without rationale 	<ul style="list-style-type: none"> Follow up meeting to assess ML/FT knowledge Re-evaluate BRA methodology and policy document
Customer Due Diligence	<ul style="list-style-type: none"> Identification/verification found as inadequate for 90% of files reviewed (detail on buyer/seller) 	<ul style="list-style-type: none"> SP to prove that they are abiding by established procedure. SP to provide a number of KYC forms of separate deeds and any additional documentation.

NOTARY: OVERVIEW

→ Meetings Held: 1 (All action points)

Discussed items:

- BRA
- CRA

→ Action Plan: Not applicable



NOTARY: CUSTOMER RISK ASSESSMENT (CRA)

Breach Description	Phase 1	Phase 2
No documented CRA for all files	<p>Reviewed CRA methodology:</p> <ul style="list-style-type: none">• SP was transitioning to digital CRA• Third party engaged to assist with onboarding and CRA• Closely involved with CRA transition to ensure new methodology is tailored to their business• Override of risk score possible• SP reviewed CRAs of client base and updated risk score accordingly with new CRA.	N/A



NOTARY: POLICIES AND PROCEDURES

Breach Description	Phase 1	Phase 2
No documented AML/CFT policies and procedures	<p>Reviewed new policy document</p> <p>Positively noted that:</p> <ul style="list-style-type: none">• If any sanctioned individuals identified, SMB is notified• Own policy of not accepting cash for a transaction of over 5 thousand euro already in line with cash restriction regulation• If funds come from a foreign jurisdiction, request of bank statements from purchaser and if funds come from sale of property abroad, contract of sale is requested• Now includes application of EDD in case a PEP is identified as a party of an OT	N/A



NOTARY: BUSINESS RISK ASSESSMENT (BRA)

Breach Description	Phase 1	Phase 2
Inadequate BRA methodology	<ul style="list-style-type: none">• SP demonstrated how BRA is carried out during meeting• Positively noted how BRA considered risk emanating from use of own funds and from links to cash-intensive businesses• Even though SP sought assistance from external consultant, they were involved throughout the process and tailored BRA to business.	N/A



NOTARY: CUSTOMER DUE DILIGENCE (CDD)

Breach Description	Phase 1	Phase 2
Identification/ verification found inadequate for 90% of files reviewed	<ul style="list-style-type: none">• SP is verifying information collected with independent sources• Positively noted that SP requests further supporting documentation when required	<ul style="list-style-type: none">• File review revealed that everything was in order

Due Diligence

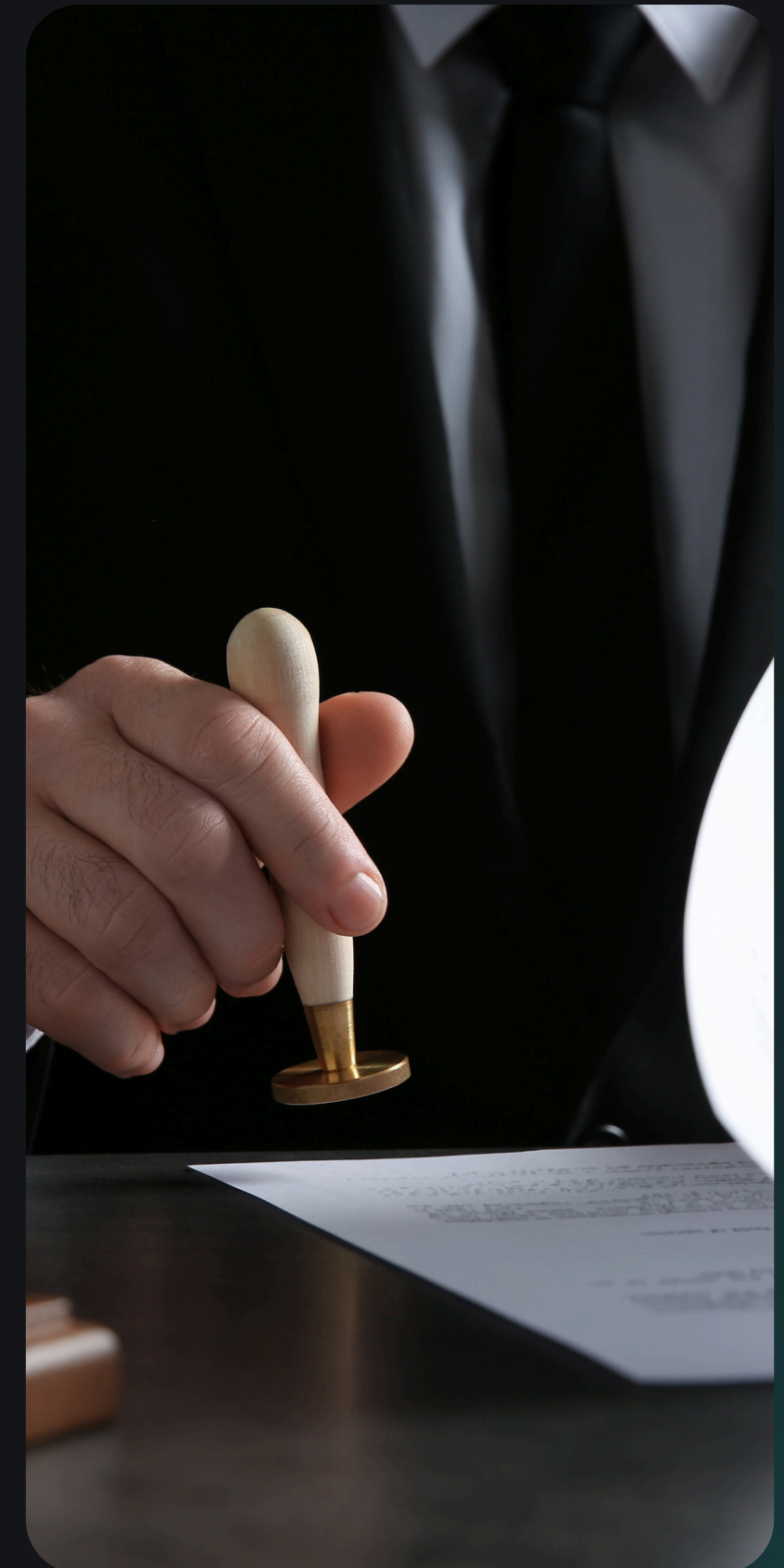
NOTARY: CONCLUSION OF DIRECTIVE

→ Additional Recommended actions:

- Reminder of obligation to update BRA on annual basis
- To update of the risk weighting of BRA to include sectorial risks identified in the NRA and SNRA
- To make sure that in instance of a CRA score override, rationale for the same is to be documented
- AML Policy manual is to be updated accordingly with regulatory updates in view of numerous changes taking place

→ Closure status:

- Closed with Recommendations





Case Study 4: Corporate Service Provider

CASE STUDY 4: CORPORATE SERVICE PROVIDER (CSP)

Follow-Up Directive

Obligation	Failures	Follow-Up Directive issued
Customer Profiling	<ul style="list-style-type: none">• Failure to obtain necessary information and documentation on the purpose and intended nature of the business relationship• Failure to establish its clients' business and risk profile	<ul style="list-style-type: none">• Explanation of procedure relating to on-boarding of clients and evidence of same• Explanation of the SP's measures for monitoring client relationships
Jurisdiction Risk Assessment (JRA)	<ul style="list-style-type: none">• Failure to complete and document JRA and to determine if jurisdictions are reputable or otherwise.	<ul style="list-style-type: none">• An explanation of how JRA is being carried out• JRAs carried out on a number of jurisdictions with which any clients have links to• Update of new JRA tool and its methodology

CASE STUDY 4: CORPORATE SERVICE PROVIDER (CSP)

Follow-Up Directive: CSP

Obligation	Failures	Follow-Up Directive issued
Enhanced Due Diligence (EDD)	<ul style="list-style-type: none"> 30% of files had no evidence of EDD measures carried out Company failed to apply necessary EDD in high risk scenarios to ascertain SoF of certain transactions 	<ul style="list-style-type: none"> An explanation of documentation SP obtains before onboarding, checks carried out and explanation of enhanced monitoring for higher risk clients.
Record Keeping	<ul style="list-style-type: none"> Inefficient record-keeping measures 	<ul style="list-style-type: none"> An update of the Company's record keeping procedures
Ongoing Monitoring	<ul style="list-style-type: none"> Failure to keep documentation up to date Company was not adhering to policy when updating client information and documentation 	<ul style="list-style-type: none"> An update of the measures taken in relation to updating of documentation

CSP: PROCESS

→ Meetings Held: 2

Discussed items:

- JRA
- Customer Profiling
- EDD

→ Action Plan: Endorsed



CSP: CUSTOMER PROFILING

Breach Description	Phase 1	Phase 2
Customer Profiling	<ul style="list-style-type: none">• SP provided an explanation of its procedure for customer profiling and onboarding• SP submitted updated onboarding forms• Such information used in risk rating clients, record keeping of the business relationship and reviewing changes in client activity and structure.	<p>In reviewing client files, it was noted that:</p> <ul style="list-style-type: none">• Information on client structure was updated• Changes in client activity were flagged and actioned upon• Information & supporting documentation on the source of funds and source of wealth of complex transactions was reviewed accordingly by SP and deemed sufficient



CSP: JURISDICTION RISK ASSESSMENT (JRA)

Breach Description	Phase 1	Phase 2
Jurisdiction Risk Assessment (JRA)	<p>SP provided an explanation as to how the JRA is being carried out:</p> <ul style="list-style-type: none">• Considers numerous factors such as BO nationality, jurisdiction of SoW, jurisdiction of operation of client company• Takes into account FATF Public documents, Commission Delegated Regulations (EU) and other reputable sources <p>Company provided JRAs for a number of key jurisdictions related to its operations and clients</p>	N/A



CSP: ENHANCED DUE DILIGENCE (EDD)

Breach Description	Phase 1	Phase 2
Enhanced Due Diligence (EDD)	<p>SP explained how EDD measures were improved:</p> <ul style="list-style-type: none">• SP explained that it had a non-exhaustive list of documents requested as part of EDD being applied• Manual concentrates on EDD in relation to PEPs, but in practice EDD is applied to all high risk clients	<p>Review of high risk clients from sample revealed:</p> <ul style="list-style-type: none">• For clients with Directorship services, company director was exercising their oversight well as proven by supporting information and documentation collected on certain high-value transactions.• Positively noted that SP was proactive rather than reactive in approving transactions, requesting ad-hoc documentation when necessary



CSP: RECORD KEEPING

Breach Description	Phase 1	Phase 2
Record Keeping	<div>Explanation to updates carried out in relation to record keeping:</div> <ul style="list-style-type: none">• Documents held both as hard and soft copy• Introduction of new company portal to update and review client information• System can generate reports on matters related to compliance• Allows monitoring of daily and weekly trends of clients and allows them to take action real-time• Automatic prompt when an identification documents is to expire	<ul style="list-style-type: none">• Documentation was provided in a timely manner and was in line with what was requested



CSP: ONGOING MONITORING

Breach Description	Phase 1	Phase 2
Ongoing Monitoring	<ul style="list-style-type: none">• SP provided update on measures implemented & ongoing monitoring form• According to company policies, the following timeframes are to be followed for client reviews:<ul style="list-style-type: none">◦ Every year for high risk clients◦ Every 3 years for medium risk clients◦ Every 5 years for low risk clients	<p>Documentation following period of issuing of directive was updated accordingly in line with timeframes listed in policy document</p> <p>No clients from file review had expired ID documentation and client information lined up across different documents</p>



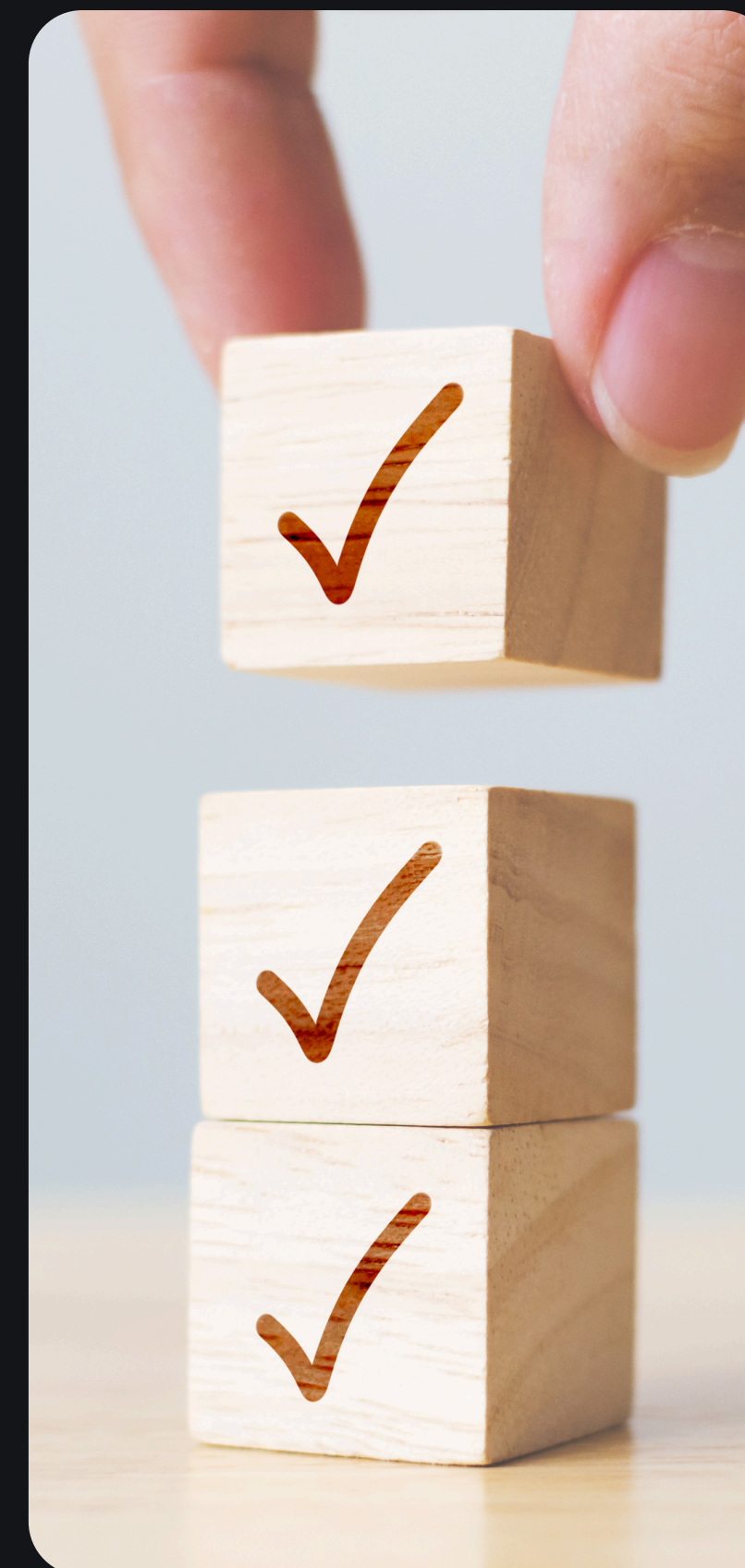
CSP: CONCLUSION OF DIRECTIVE

➔ Additional Recommended actions:

- JRA of Company should consider information publicly available on jurisdiction holistically and assess risks posed by jurisdictions linked to its client adequately.
- Ensure that the analysis of the due diligence conducted, especially in the case of complex arrangements and transactions, is well documented.
- Make sure that what is done in practice is clearly evident in the SP's policy documents, such as for EDD.

➔ Closure status:

- Closed with Recommendations



KEY TAKEAWAYS

→ Cooperation & Collaboration:

- Sharing documentation and information in a timely, clear, and concise manner.
- Responding proactively to identified breaches to minimise risk.
- Communicating with integrity while focusing on practical outcomes.
- Be realistic and transparent when setting timelines or expectations.

→ Future Compliance:

- Using the Directive as an opportunity to reassess and strengthen the compliance framework.
- Maintaining a risk-based approach to compliance and decision-making.
- Building adaptable processes that respond to evolving regulatory demands.



Thank you!