



## Administrative Measure Publication Notice

This Notice is being published by the Financial Intelligence Analysis Unit (the FIAU) in terms of Article 13C of the Prevention of Money Laundering Act (the PMLA) and in accordance with the policies and procedures on the publication of AML/CFT administrative measures established by the Board of Governors of the FIAU.

The Notice provides select information from the FIAU's decision imposing the respective administrative measures and is not a reproduction of the actual decision.

### **DATE OF IMPOSITION OF THE ADMINISTRATIVE MEASURE:**

22 December 2025

### **RELEVANT ACTIVITY CARRIED OUT:**

Company Service Provider

### **SUPERVISORY ACTION:**

Targeted compliance examination initiated in 2022

### **DETAILS OF THE ADMINISTRATIVE MEASURES IMPOSED:**

Administrative penalty of €15,938 in terms of Regulation 21(1) of the Prevention of Money Laundering and Funding of Terrorism Regulations (the PMLFTR)

### **LEGAL PROVISIONS BREACHED:**

- Regulation 7(1)(b) of the PMLFTR and Sections 4.2.2 and 4.3.2 of the FIAU Implementing Procedures – Part I (the IPs)
- Regulation 15(1) of the PMLFTR and Section 5.4 of the IPs
- Regulation 15(3) of the PMLFTR and Section 5.5 of the IPs

### **REASONS LEADING TO THE IMPOSITION OF THE ADMINISTRATIVE MEASURE:**

Customer Due Diligence (CDD) – Identification and Verification and Internal/External Reporting – breach of Regulations 7(1)(b), 15(1) and 15(3) of the PMLFTR and Sections 4.2.2, 4.3.2, 5.4 and 5.5 of the IPs

The compliance examination report revealed that, in respect of three linked customer files, the Company failed to determine an additional beneficial owner (BO) within the structure as well as raise an internal and external report, despite the presence of various other red flags indicative of the fact that there was another individual exercising control over such clients without declaring his beneficial ownership.

By way of background, the previous BO of two out of the three customer entities in question was Ms A, who indirectly owned such entities through her shareholding in a parent company. However, following a share transfer that took place in 2014, such ownership was transferred to another individual, Mr B, who subsequently became the sole owner of both entities. At a later stage, Mr B also incorporated a third company within the structure, of which he was, and remains, the sole BO. Over time, one of the aforementioned companies was merged and eventually dissolved.

The company services provider (CSP), subject to the compliance examination, was responsible for the incorporation of certain customer entities and provided ongoing company secretarial services to all three entities. In the case of one of the customer entities, the CSP also offered directorship services until the company was later dissolved.

During the compliance examination, it was noted that the declared BO, Mr B, was a hands-on owner, actively involved in the day-to-day management and decision-making processes of the three customer entities involved. However, there was ample evidence suggesting that another individual, Mr C, who is the spouse of the previous BO, Ms A, should also have been identified as an additional BO, this in light of his significant involvement in the company's operations and strategy, as well as the degree of control he appeared to be exercising through other means. The compliance examination report further highlighted a number of red flags which should have triggered the Company's internal reporting procedures and, following appropriate scrutiny of the facts and circumstances of the FIAU, could have led to the submission of an external report with the FIAU.

As part of its deliberations in relation to this case, the Committee discussed the concept of control via other means, emphasising that, in line with Section 4.2.2.1 of the IPs, beneficial ownership is not limited to natural persons who own or control, directly or indirectly, 25%+1 of the shares or voting rights of an entity. Rather, such ownership extends to situations where control is exercised through other means, including circumstances in which individuals who are not recorded as BOs nonetheless exercise ultimate control or influence over the running or management of a body corporate. Section 4.2.2.1 provides a non-exhaustive list of indicators of control via other means, one of which encompasses individuals who, through family connections, exert influence over the decision-making body of the entity. In this context, the Committee remarked that, by virtue of his familial relationship with Ms A, who is not only his spouse but also a previous BO of the structure, Mr C was well-positioned to influence the decision-making and strategic direction of the customer entities. This is also evidenced, *inter alia*, by Mr C's attendance at an initial meeting with the Company on Ms A's behalf and his signing of the Company Application Form, despite the absence of any formal authorisation.

This element of informal influence or control, falling outside formal shareholding structures or official appointments, continued even after Ms A ceased to be the BO. Indeed, as elaborated under each respective red flag heading below, Mr C was entrusted with key information and responsibilities despite holding no formal role. This included attending meetings with representatives from the Company to discuss matters concerning the customer entities, as well as having a tangible say in their day-to-day operations and activities, playing a role in financial decision-making. Additionally, although, as explained further on, Mr C was described as a mentor figure and had also granted loans to a customer entity within the structure, he demonstrated a level of knowledge and involvement exceeding what would be expected from a mentor or creditor, notably through his familiarity with the customer entities' operations, finances, and internal decision-making processes. Taken together, these factors underscore Mr C's influence not only as the spouse of a historical BO, but as an individual whose advice, input and involvement in substantive business matters appear to be consistently relied on.

## Identified Red Flags

### a.) Email Correspondences

The Company highlighted that Mr C maintained a vested interest in the success of the customer entities, citing his role as the creditor for loans amounting to millions of euros, thereby seeking to safeguard his financial interests. Moreover, the Company noted that, given Mr C's extensive professional background spanning many decades within the sector in which the customer entities operate, he often acted as a mentor to Mr B, providing him informal advice and guidance.

However, on the basis of a review of email correspondences between the Company and the customer entities, it transpired that Mr C exercised significant influence over the customer entities that went well beyond that of a passive lender. This reflected a pattern of active involvement and influence in the internal decision-making of the customer entities, including operational, financial and strategic matters, and included being granted a power of attorney for a key transaction. Mr C also attended meetings with Company representatives to discuss matters concerning the customer entities, was involved in the review of several agreements, and provided input on their financial statements. This sustained engagement demonstrated *de facto* control via other means, contradicting the assertion that he was solely a mentor and creditor.

### b.) Adverse Media and Conviction

The FIAU Officials conducting the compliance examination came across several adverse media reports concerning Mr C, which uncovered his alleged involvement in a tax fraud case within the same sector in which the customer entities operate. In this regard, Mr C was sentenced and convicted by a Court; however, this conviction was overturned on appeal a number of years later, with this acquittal being mainly based on weak testimonial evidence rather than conclusive proof of non-involvement.

The adverse media findings in question emerged before onboarding the customer entities, and the Company became aware of them a few years later, yet instead of giving due consideration to the matter at hand, it relied on verbal assurances provided by the previous BO of the structure, i.e., Ms A. On this point, the Committee stressed that this approach was inadequate, given the seriousness and persistence of the adverse media over a relatively prolonged period of time, as well as the fact that the allegations were directly linked to the sector in which the customer entities operate.

Compounding the situation, at one point, the adverse media did not merely consist of allegations; rather, Mr C was actually convicted (albeit later overturned on appeal), with this conviction constituting evidence of wrongdoing by an individual who was not only the spouse of the previous BO, Ms A, but also someone who was actively involved in the customer entities' operations, activities, and decision-making processes. This second trigger should have prompted the Company to take the necessary action and implement appropriate mitigating measures, such as verifying the source of funds (SOF) linked to the loans granted to one of the customer entities by Mr C.

### c.) Power of Attorney

It was noted that a power of attorney was granted to Mr C to act on behalf of one of the customer entities in connection with the acquisition of shares in a foreign company. Although this authorisation was limited in scope, it was nonetheless significant, as it entrusted Mr C with representing the entity in a major cross-border transaction, demonstrating not only the level of trust placed in him, but also the degree of

influence he exercised in relation to that transaction. Additionally, this power of attorney highlighted that Mr C was not merely a mentor figure or an external creditor, but rather, an individual with recognised authority and a deeply embedded role within the entity's operations. The strategic importance of the transaction, combined with Mr C's broader involvement in daily operations and decision-making, demonstrated that effective control over the entity did not rest solely with Mr B, but was also exercised by Mr C.

#### d.) Loans Payable to Mr C

As outlined above, it transpired that, over the years, Mr C had extended a number of high value loans to one of the customer entities, amounting to several million euro, which the Company indicated had been advanced before it started servicing the customers. On this point, the Committee demarcated that, since the loans in question continued to appear in the customer entities' financial statements during the period in which corporate services were being offered, the Company was expected to scrutinise their purpose and terms, particularly in light of the aforementioned adverse media, continue scrutinising any payments made in settlement, as well as assess the extent to which Mr C, could still exert influence and control over the same by virtue of such outstanding financial obligations.

#### e.) Mr C's involvement within the Group

Another point raised in the compliance examination report concerns the fact that Mr C was found to play an active role within subsidiaries established in foreign jurisdictions that formed part of the same Group as the customer entities, including holding the position of President in one such foreign subsidiary. In relation to this red flag, the Committee noted that Mr C's involvement across the wider Group, especially when considering the connection between the customer entities and the foreign subsidiaries, should have been duly taken into account, particularly because he held no formal position within the customer entities, yet still exercised considerable influence over them, as discussed above.

#### Conclusion

The Committee, while not contesting Mr B's status as a BO, determined that the available evidence clearly showed that Mr C should have also been recognised as an additional BO, by virtue of exercising control via other means. When assessed cumulatively, the red flags elaborated on in detail above, together with the fact that these events occurred during and in the aftermath of Mr C's investigation and subsequent conviction for tax fraud, materially increased the risk that the customer entities could have been used to conceal illicit funds. While the Committee recognises that Mr C was subsequently acquitted later in the business relationship, this does not negate the heightened risk profile that existed at the relevant time.

Accordingly, the totality of the facts and circumstances supports the conclusion that Mr C exercised effective control over the customer entities alongside Mr B. Such control manifested, *inter alia*, through historical financial contributions in the form of loans, active involvement in strategic and day-to-day operational decision-making, participation in a significant transaction with material strategic implications for one of the entities in question, and the ability to influence the companies' direction on all fronts. In this context, the Company's claim that beneficial ownership rested solely with Mr B, and that Mr C acted merely as a mentor and creditor, was deemed inadequate given the extent of Mr C's involvement and also constituted a misrepresentation of true beneficial ownership. When faced with such a situation, the Company was expected to escalate the issue through its internal reporting mechanisms; its failure to do so ultimately led to the non-submission of an external report to the FIAU.

## **ADMINISTRATIVE MEASURES TAKEN BY THE FIAU'S COMPLIANCE MONITORING COMMITTEE:**

After taking into consideration the above-mentioned findings, the Committee proceeded to impose a combined administrative penalty of €15,938 for the breaches identified in relation:

- Regulations 7(1)(b), 15(1) and 15(3) of the PMLFTR and Sections 4.2.2, 4.3.2, 5.4 and 5.5 of the IPs

In arriving at the final amount of the administrative penalty to impose, the Committee took into consideration the importance of the AML/CFT obligations that the Company has breached, together with the seriousness of the findings identified and their material impact, as explained above. Moreover, the Committee considered the nature, size and operations of the Company, and how the services it rendered may have impacted the local jurisdiction as a whole. Further to this, the Committee took into account the level of cooperation exhibited by the Company throughout the whole process, and the overall regard that the Company has towards its obligations. Lastly, the Committee ensured that the administrative penalty imposed is effective, dissuasive and proportionate to the failure identified and to the money laundering/funding of terrorism (ML/FT) risks perceived during the compliance examination.

**The administrative penalty hereby imposed is not yet final and may be appealed before the Court of Appeal (Inferior Jurisdiction) within the period prescribed by the applicable law. It shall become final upon the lapse of the appeal period or upon final determination by the Court.**

### **Key Take-aways**

- In line with Section 4.2.2.1 of the IPs, subject persons are required to assess and determine whether an individual qualifies as a BO by ultimately owning or controlling a body corporate or body of persons via other means in two distinct scenarios. The first scenario applies where no natural person can be identified as ultimately owning or controlling the entity through the direct or indirect ownership of over 25% of the shares or voting rights. The second scenario applies where a BO has already been identified on the basis of ownership or voting rights but the subject person is aware, or has reason to otherwise believe, that one or more individuals are exercising ultimate control over the running or management of that body corporate through other means, including by exerting influence over its day-to-day operations and decision-making, and strategic direction.

The determination of whether an individual exercises such control needs to be carried out on a case-by-case basis, taking into account the specific facts and circumstances of each case. Even though the IPs do not provide an exhaustive list, indicators of control through other means include the following: (a.) rights granted under formal arrangements that enable an individual to exert dominant influence over, or veto, decision-making; (b.) situations where an individual collectively exceeds the 25%+1 beneficial ownership threshold through shares or voting rights and are subject to an arrangement to exercise those rights in concert; (c.) the authority to appoint or remove the majority of the Board of Directors or the Chief Executive Officer (CEO); or (d.) family connections that enable influence over the decision-making body of the entity.

- There may be cases where, although the status of the declared BO of a customer entity is valid, other individuals are exercising a degree of control or influence over the entity in tangible ways and should thus also be identified as additional BOs. This may notably include individuals who, despite not holding an official position or being formally connected to the entity, are involved in management and decision-making, have oversight of day-to-day operations and activities, issue instructions on strategic matters, and exert influence over financial decisions.

- It should be noted that the existence of adverse media findings in relation to a customer or any of its BOs does not automatically trigger the obligation to file an external report with the FIAU. However, such adverse media should be considered alongside any other red flags when assessing whether reporting is justified. Where adverse media eventually end up evolving beyond mere allegations, culminating in an arraignment or conviction, the subject person should exercise a heightened level of scrutiny to ensure that the associated risks are appropriately identified, evaluated, and mitigated. As stipulated in Section 3.5.1 (a) of the IPs, while acquittals should also be factored in when assessing reputation, subject persons are to consider the reasons that led to such acquittal and whether such reasons dispel any concerns about the individual or entity involved. By way of example, an acquittal grounded in clear and tangible evidence demonstrating the absence of wrongdoing carries significantly greater weight than an acquittal resulting from procedural shortcomings or weak testimony.
- According to Section 5.4 of the IPs, subject persons have the responsibility of establishing clear internal reporting procedures for employees who become aware of any information or matter that gives rise to knowledge or suspicion that a specific person or transaction is connected to ML/FT. Any case involving such information or matter is to be treated with urgency and reported to the Money Laundering Reporting Officer (MLRO) without delay, and in any case by the next working day. When a decision is taken not to proceed with the submission of an internal report, the rationale behind the same needs to be documented on file.
- After having performed a review of the internal report and any other relevant information and documentation, and the MLRO knows, suspects, or has reasonable grounds to suspect that a person or transaction may be related to ML/FT, or that ML/FT has been, is being or may be committed or attempted, the MLRO is obliged to submit an STR or other relevant report to the FIAU without undue delay. When deciding on whether or not an external report is justified, the MLRO should factor in all relevant red flags in a holistic manner, rather than evaluating individual facts in isolation. At first glance, it may sometimes be difficult to connect the dots, but a more detailed analysis may reveal how the red flags may be collectively indicative of potential suspicious activity.

**22 December 2025**

