Administrative Measure Publication Notice

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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:

23 March 2026

SUBJECT PERSON:

Stanleybet Malta Limited

RELEVANT ACTIVITY CARRIED OUT:

Remote Gaming Operator

SUPERVISORY ACTION:

Targeted review initiated in 2025

DETAILS OF THE ADMINISTRATIVE MEASURES IMPOSED:

- An administrative penalty of €225,730 in terms of Regulation 21(1) of the Prevention of Money Laundering and Financing of Terrorism Regulations (PMLFTR)
- A periodic penalty payment of €2,000 per day in terms of Regulation 21(5) of the PMLFTR
- A Follow-up Directive in terms of Regulation 21(4) of the PMLFTR

LEGAL PROVISIONS BREACHED:

- Regulations 9(1), 7(1)(d), 7(2)(a), 7(1)(c) and 5(5)(a)(ii) of the PMLFTR, Sections 3.5 and 4.4.2 of the FIAU Implementing Procedures – Part I (the IPs – Part I), and Sections 3.2, 3.3 and 2.1 of the FIAU Implementing Procedures – Part II: Remote Gaming Sector (the IPs – Part II)

REASONS LEADING TO THE IMPOSITION OF THE ADMINISTRATIVE MEASURE:

<u>Customer Due Diligence (CDD), Customer Risk Assessment (CRA) and Monitoring Obligations – breach of Regulations 9(1), 7(1)(d), 7(2)(a), 7(1)(c) and 5(5)(a)(ii) of the PMLFTR, Sections 3.5 and 4.4.2 of the IPs – Part I, and Sections 3.2, 3.3 and 2.1 of the IPs – Part II</u>

By way of background, Stanleybet Malta Limited (the Company) is a remote gaming operator holding a Business-to-Consumer (B2C) Gaming Service Licence issued by the Malta Gaming Authority (MGA), whereby it is authorised to provide both Type 1 and Type 2 Gaming Services. In terms of its business model, the Company offers such gaming services through a network of physical betting shops located within

a European Union (EU) jurisdiction. These betting shops are operated by independent traders, referred to as betting shop operators, who act as service providers and payment facilitators on behalf of the Company.

The potential breaches letter issued following the targeted review conducted by the FIAU noted that, in practice, the Company does not have systems or adequate measures in place to track cumulative deposits by the betting shops' end customers and link such clients' activity across all betting shops in order to identify when the €2,000 deposit threshold is reached, whether in the context of an occasional transaction or a business relationship.

During the targeted review, it was observed that the Company only applies CDD measures when a customer makes a deposit of €2,000 or more at one go, or where certain other criteria and risk parameters are met. One such criterion is where, within the same day, the same customer carries out several transactions amounting to a total equal to or greater than €2,000 with a betting shop. Nevertheless, the Committee considered that the measure implemented to monitor this criterion is insufficient, as its application relies on betting shop employees recognising clients by sight, which presents inherent weaknesses. Notably, customers may visit a specific betting shop at different times of the day, and may also frequent multiple betting shops within the Company's network, even within the same town or city, which may lead to the possible circumvention of the €2,000 deposit threshold. Moreover, the aforementioned criterion is also not aligned with the legal requirement to calculate and monitor the €2,000 threshold either on the basis of the customer's lifetime deposits or over a 180-day rolling period.

In view of its inability to associate transactions to each respective customer, the Company does not currently have a complete list of its end customers, which in turns prevents it from assessing their money laundering/funding of terrorism (ML/FT) risks, establishing their business and risk profiles, and carrying out the necessary CDD checks, where such requirements are applicable in terms of law. The Company is also not in a position to monitor transactions executed throughout any of the business relationships established with the clients it services.

It further transpired that the Company considers business relationships to be established with the betting shop operators (point one). However, all interactions with end customers placing wagers are automatically treated as occasional transactions, or as a series of linked occasional transactions, with no possibility for such interactions to eventually be classified as a business relationship (point two). The Committee addressed the two points in question as follows:

- Point One: The Committee emphasised that, in line with Section 3.3.1 of the IPs – Part II, where the customer makes use of an account held by the operator of the physical establishment, in this case, the betting shop, to carry out transactions with the licensee, the licensee has to ensure that the physical establishment applies the licensee's own AML/CFT policies and procedures once the relative threshold is reached. Moreover, here the physical establishment would be considered as an extension or an agent of the licensee and would therefore have to apply the licensee's own AML/CFT policies and procedures on its behalf. Given that, in this context, it is clear that the Company's customer is the end client making use of the betting shop operator's services, and not the betting shop operator itself, the three important cumulative elements indicative of a business relationship[1], as outlined in the PMLFTR and the IPs, do not apply. Consequently, although the relationships between the Company and the betting shop operators are undoubtedly

[1] These three cumulative elements consist of the following:

a.) The relationship must be of a business, professional or commercial nature between two or more persons;

b.) At least one of the persons involved in the relationship must be a subject person, whether undertaking a relevant financial business or a relevant activity; and

c.) The relationship has, or is expected to have at the time when the contact is established, an element of duration.

business or commercially driven, they cannot be construed as a '*business relationship*' as defined in terms of Maltese law.

- Point Two: The Committee highlighted that, the Company, as a Maltese licensed remote gaming operator, is required to ensure full compliance with all applicable AML/CFT obligations, including those specifically pertaining to remote gaming operators under the IPs – Part II. For this reason, while the interaction with a customer may initially be classified as an occasional transaction, measures must be in place both to link connected transactions, such as multiple bets linked to the same game, as well as to identify clients who should eventually be classified as having a business relationship. In the latter circumstance, a business relationship is deemed to arise when three factors cumulatively apply. Of crucial importance is the fact that, if an element of duration or ongoing engagement exists, the interaction with the customer should no longer be considered as an occasional transaction or a series of linked occasional transactions. Rather, the interaction would now fall within the definition of a business relationship as set out in the PMLFTR and the IPs, triggering the application of more onerous AML/CFT obligations on the part of the Company. Taking all of this into account, the Committee emphasised that it is pertinent for the Company to be able to identify the specific point in time at which a customer's activity becomes habitual, whereby an interaction based on the concept of an occasional transaction transitions into one based on the concept of a business relationship.

Although it was acknowledged that, under its current framework, the Company was able to produce a list of customers, this was limited to those customers whose deposits exceeded €2,000 in a single transaction. Additionally, matters were compounded by the fact that, even when information was collected to establish the customer's profile, specifically regarding the client's source of wealth (SOW), expected source of funds (SOF), and anticipated level of activity, such information was deemed insufficient and inadequate. In fact, it emerged that the onboarding forms provided by the Company during the targeted review contained only generic information about the customers' employment status and origin of funds, with responses limited to broad classifications such as "*employed*", "*unemployed*", and "*student*" for employment status, and "*savings*", "*wages*", and "*dividends*" for the expected SOF. In some instances, some data fields within the forms were even left blank.

The Committee expressed its serious concerns regarding these material deficiencies when it comes to the collection of CDD information and stressed that this issue directly impacts the Company's obligations to carry out a CRA, formulate a business and risk profile, and carry out transaction monitoring where applicable. This failure also rendered the Company unable to assess whether the information obtained from its clients warranted corroboration through supporting documentation, in alignment with the risk-based approach.

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

After taking into consideration the above-mentioned findings, the Committee proceeded to impose the following administrative penalties, as explained below:

- A combined penalty of €225,730 for the serious and systematic failure on the part of the Company:
    a.) To establish and know its customers, due to its inability to associate transactional activity with individual customers as well as to cumulatively link transactions to determine when the €2,000 deposit threshold was reached, whether in the context of a business relationship or an occasional transaction;
    b.) As a result of failure (a.), to carry out a CRA in order to understand the risks posed by the customers it was servicing and apply the necessary CDD measures; and

c.) To collect adequate information to develop a comprehensive customer profile when clients exceeded the said threshold in the context of a business relationship as well as apply adequate monitoring measures.

This in terms of Regulations 9(1), 7(1)(d), 7(2)(a), 7(1)(c) and 5(5)(a)(ii) of the PMLFTR, Sections 3.5 and 4.4.2 of the IPs – Part I, and Sections 3.2, 3.3 and 2.1 of the IPs – Part II.

- A periodic penalty payment of €2,000 per day in respect of the specific failure detailed under point (a.) above. This measure reflects the Committee's serious concern regarding the Company's urgent need to ensure that it is capable of identifying and associating the transactions executed by each customer, so as to establish when the €2,000 threshold has been met, whether within a single betting shop or across the Company's network of betting shops, and whether the activity occurs in the context of a business relationship or multiple linked occasional transactions. To note that such periodic penalty payment will remain in effect until such time as the FIAU is fully satisfied that the failure detailed under point (a.) above has been duly remediated.

In arriving at the final amount of the administrative penalties to impose, the Committee took into consideration a range of aggravating and mitigating factors. The Committee could not but stress the importance of the AML/CFT obligations that the Company has breached, together with the overall seriousness of the findings identified and their material impact. Specifically, the Committee noted that, given that the Company was providing services to customers without adequate controls in place, its failures in relation to the CRA, CDD, and monitoring obligations could have led to the unintentional facilitation of ML/FT. Moreover, it was noted that the lax approach adopted by the Company with respect to the fundamental legal requirement to know who it is servicing, which is a cornerstone of the entire AML/CFT framework, could not only have adversely impacted its own operations, but also exposed the Maltese jurisdiction to certain unmanaged ML/FT risks. Further to this, the Committee also took into account the nature, size and operations of the Company's activities.

More positively, when reaching its final decision, the Committee gave weight to overall good level of cooperation exhibited by the Company throughout the process, particularly its willingness to engage with the FIAU in order to explain its position, as well as its provision of all requested information and documentation in a timely manner. Furthermore, the Committee considered the Company's openness towards revising its internal processes and controls to meet the FIAU's expectations as well as ensure full compliance with its obligations, including through enhanced AML/CFT training and auditing processes.

Notwithstanding, the Committee remains of the view that further tangible and measurable progress is required, this since the changes implemented to date, while indicative of a willingness to improve, primarily focus on increased training for betting shop operators and therefore fall short of fully addressing the serious and systemic failures identified. Indeed, the revision of internal processes and controls, without implementing the fundamental legal requirement for the Company to identify and recognise who the vast majority of its customers are, is inherently ineffective and will ultimately not achieve the intended outcomes of the revisions undertaken.

For this reason, the Committee also proceeded to serve the Company with a Follow-Up Directive by virtue of the FIAU's powers under Regulation 21(4) of the PMLFTR, this to ensure that the Company takes immediate, concrete, and verifiable steps to ensure complete alignment with its AML/CFT obligations. Through this Directive, the Company is expected to make available an Action Plan containing an overall status play of the current remediation measures being implemented from its end, which shall include:

- The implementation of a system, or other adequate measures, to enable the cumulative linking of transactions to a specific customer, in order to determine when such client reaches the €2,000

deposit threshold, whether through a single transaction or through multiple transactions which cumulatively meet or exceed the said threshold, regardless of whether this occurs within the context of an occasional transaction (which includes a series of linked transactions) or a business relationship.

- The implementation of a system, or other adequate measures, to allow the Company to determine the point in time at which one or a series of linked occasional transactions transitions into a business relationship.
- Providing evidence that, once a customer meets the €2,000 deposit threshold, the following AML/CFT obligations are consistently and effectively carried out: (a.) application of CDD measures; (b.) completion of a robust CRA; and (c.) formulation of a comprehensive customer profile, all in accordance with the risk based approach.
- Undertaking updates and further enhancements to the processes and procedures currently adopted for the collection of information on the purpose and intended nature, which is utilised for customer profiling purposes, as well as to framework in place in relation to ongoing monitoring, with a particular emphasis on the scrutiny of customer transactions.

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

- For all subject persons licensed as remote gaming operators, including those operating within a retail environment via physical establishments such as betting shops, it is of utmost importance that such subject persons have systems or adequate measures in place to cumulatively link transactions executed by their customers in order to determine when the €2,000 deposit threshold is reached, both in the context of multiple linked occasional transactions and within a business relationship. Adopting these mechanisms not only ensures that the subject person is able to fully comply with its AML/CFT requirements once the €2,000 threshold is met, such as those related to CDD, CRA and monitoring (where applicable), but also helps to minimise the risk that such threshold is circumvented and abused.

- While there is no automatic requirement for each and every customer transaction to fall under the concept of a business relationship, the subject person must nonetheless have the ability to monitor the aggregate transactional activity of each client and have a holistic view thereof. This would allow the subject person to establish, where applicable, the point in time at which the interaction with the customer ceases to constitute an occasional transaction or a series of linked occasional transactions, but has instead evolved into a business relationship. A key factor underpinning this determination is the frequency of the customer's activity – once it becomes evident that there exists an element of duration and that such activity is habitual, the interaction cannot be regarded as falling under the concept of an occasional transaction.

  The above position is supported by Section 4.2.1 of the IPs – Part I, which stipulates that where services or transactions are carried out on a regular basis on behalf of the same customer, such activity cannot fall within the concept of an occasional transaction, notwithstanding the fact that there may have been no intention to set-up a relationship at the outset. Even though there is no prescribed criteria or metrics that automatically trigger the transition from an occasional transaction to a business relationship, this is a determination that the subject person needs to make itself in line with the risk-based approach, taking into account relevant customer and transactional data.

- In accordance with Section 4.4.2 of the IPs – Part I, when formulating a customer's business and risk profile, subject persons are required to obtain information on, and where necessary, supporting documentation in relation to the following:
    a.) The customer's business/occupation/employment;
    b.) Any other activity in addition to a.) above from which the customer derives his/her wealth (e.g. inheritance);
    c.) The expected source and origin of the funds to be used throughout the relationship; and
    d.) The anticipated level and nature (including expected value and frequency of transactions) that is to be undertaken throughout the relationship.

  With specific reference to the remote gaming sector, and as per Section 3.2 of the IPs – Part II for the Remote Gaming Sector, where the ML/FT risk is not high, obtaining a customer declaration including details such as the nature of employment or business and typical annual salary amount may be sufficient for customer profiling purposes. However, where the risk is higher, or where there are any doubts regarding the veracity of the information provided, it must be corroborated by means of independent and reliable additional information and documentation. In the case of non-high risk customers, subject persons may also consider utilising statistical data to develop behavioural models against which customer activity can be assessed over time rather than collecting source of wealth information. Such models may be based on official economic indicators or on data gathered internally by the subject person over a period of time.

- In addition, Section 4.4.2 of the IPs – Part I also stipulates that subject persons should not restrict the collection of information for customer profiling purposes to vague and generic terms such as "*business*", "*employment*", or "*inheritance*", as such descriptions would never be deemed sufficient to meet this obligation, independently of the risk presented. Indeed, it important that the information acquired tangibly assists in understanding the customer's background and financial standing. Thus, by way of example, it is not sufficient for the client to merely state that he or she is "*employed*", as this does not identify the nature of his/her job, his/her employer, the sector in which he/she works, or the position he/she holds, all of which are relevant in assessing whether his or her financial activity is consistent with his or her declared profile. Similarly, the term "*savings*", without further context, and particularly without sufficient details regarding the customer's employment, fails to explain how those funds were accumulated and from what underlying source.

23 March 2026

APPEAL - On the 14th of April 2026, the FIAU was served with a copy of the appeal application filed by the Company before the Court of Appeal (Inferior Jurisdiction), from the decision of the FIAU. The Company is, inter alia, contesting the FIAU's decision on the basis of the following aggrievances:

- Given the hybrid nature of the Company's business model, Italian law should take precedence over Maltese AML law. Accordingly, the FIAU could not impose regulatory obligations on the Company when dealing with consumers within the Italian jurisdiction;
- The decision is based on an amendment made to the Implementing Procedures, which should have followed the Notification Procedure as stipulated in Directive (EU) 2015/1535;
- The decision is based on an incorrect application of the PMLFTR and the Implementing Procedures;
- The decision is based on a lack of objective assessment of the evidence; and
- Both the sanctions and the measures imposed are disproportionate.

Pending the outcome of the appeal, the decision of the FIAU is not to be considered final and the resulting administrative penalty cannot be considered as due, given that the Court may confirm, vary or reject in whole or in part, the decision of the FIAU. As a result, the FIAU may not take any action to enforce the administrative penalty pending judgement by the Court.

This publication notice shall be updated once the appeal is decided by the Court so as to reflect the outcome of the same.

16 April 2026