



**FIAU**

Financial  
Intelligence  
Analysis Unit  
Malta

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# Settlement Agreement Policy

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# 1. Introduction and Scope

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Regulation 22 of the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR) and Regulation 9 of the Centralised Bank Account Registry Regulations (CBARR) allow for the Financial Intelligence Analysis Unit (FIAU/Unit) to propose and conclude settlement agreements with Subject Persons (SPs), in relation to breaches of the SPs' obligations under the Prevention of Money Laundering Act, the PMLFTR, the CBARR, the Implementing Procedures (IPs) and any other binding guidance issued by the FIAU.

A settlement agreement provides the FIAU and the SP a means of achieving an early and mutual settlement of Anti-money laundering/ combating the funding of terrorism (AML/CFT) breaches based on mutually agreed actions to achieve compliance with one's legal obligations. Settlement allows for the efficient use of resources and provides timely action to remedy breaches of the law.

The settlement agreement policy (policy) lays down the process to be followed for the proposal and conclusion of settlement agreements. Decisions taken by the Compliance Monitoring Committee (CMC/Committee) in terms of this policy, including the offer of a settlement agreement or otherwise, will be communicated to the relevant competent authority(ies) of the SP for its/their attention.

This policy has been approved by the Board of Governors (BOG) of the FIAU and shall apply to the Committee's determinations made from the 1<sup>st</sup> April 2026.

Any reference to SP within this policy shall, where applicable, also be construed as referring to individuals referred to in Regulation 21(5) of the PMLFTR.

## 2. Terms and Conditions for settlement

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The proposal of a settlement agreement remains at all times at the discretion of the Unit acting through the CMC, which shall for each case brought before it, upon the consideration of a number of criteria, determine the possibility or otherwise to offer settlement. No one is to construe any provisions of the PMLFTR, CBARR or this policy as conferring on a SP an absolute right to demand that a settlement agreement be entered into with the Unit. While a SP may request the Unit to consider a settlement agreement, the decision to do so rests exclusively with the FIAU.

There are a number of non-exhaustive criteria which the Committee shall consider in deciding whether to make any such proposal. The Committee shall not enter into a settlement agreement if the agreement is not in the public interest, including instances where:

- i)** The breaches determined by the Committee are very serious and/or systematic and expose the SP and/or the jurisdiction to very significant risks of ML/FT.
- ii)** The existence of very significant governance issues and/or evidence that the SP's most senior officials have consciously or through gross negligence obstructed compliance with the AML/CFT legislative provisions.
- iii)** Situations where the relevant competent authority(ies) has/have already flagged very significant issues on the SP's license conditions including breaches of material licensing obligations.
- iv)** The SP was uncooperative during the compliance review process, provided misleading or incorrect information or otherwise was not forthcoming in providing the documentation and information requested by the FIAU officials.
- v)** The SP was found in serious, repeated and/or systematic breach of the same obligations in the preceding five (5) years, and the latter compliance review/ operational breaches revealed that the SP had not taken any concrete action to remedy the previously identified breaches.

In deciding whether to offer settlement, the FIAU shall also consider the specific circumstances of the case under review.

The FIAU shall not have the possibility of proposing a settlement agreement where a settlement was already proposed by the Unit and entered into with the SP within the previous two (2) year period<sup>1</sup>. Except where:

- The first settlement agreement was entered into in relation to breaches determined following a compliance examination and the second settlement agreement relates to breaches determined following operational breaches<sup>2</sup>; or vice versa.
- The first settlement agreement was entered into in relation to operational breaches and the second settlement agreement also relates to operational breaches but stemming from different obligations.

In any circumstance, a maximum of two settlement agreements may be entered into within the two-year period abovementioned.

The grounds that exclude the possibility of a settlement agreement are applicable not only to individual SPs but apply also within a group context; therefore, to parent companies, subsidiaries of the same parent companies and subsidiaries of the SP.

The FIAU retains the sole prerogative, without the need to provide any explanation, to determine whether settlement shall be offered, regardless of the existence of any considerations mentioned in the non-exhaustive list above.

The process to conclude a settlement agreement shall be conducted on a without-prejudice basis. Any settlement agreement must be concluded and signed within the period allowed for in this policy. Where it proves impossible to reach an agreement within the stipulated term, but the parties are in a very advanced stage of reaching an agreement, the Unit may, upon the expiration of the prescribed period in this policy allow for a further period for the settlement to be concluded.

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<sup>1</sup> The two (2) year period commences from the date on which the entire follow up action required through the previous settlement is completed.

<sup>2</sup> Operational breaches are breaches related to the Subject Person's obligation to reply to FIAU requests for information in line with Regulation 15(8) of the PMLFTR, obligations to provide periodical reports to the FIAU in line with Regulation 19 of the PMLFTR and periodic reports related to Regulation 4(2) of the CBAR Regulations.

In cases where the settlement process has not reached this stage, once the prescribed period under the policy expires, the Unit shall abandon the settlement efforts and follow the normal enforcement process. Once the enforcement process has been initiated no settlement requests shall be entertained.

## **2.1 Determining the Terms for Settlement**

The nature of the AML/CFT breaches and the circumstances of the SP are to assist the Committee in determining the key terms of the settlement to be offered to the SP concerned. The settlement agreement shall provide for a decrease of the administrative penalty to be initially imposed on the SP ranging between ten per cent (10%) to fifty per cent (50%).

When the Committee determines that it shall offer a settlement to a SP for breaches determined following a compliance examination, it will assess the percentage decrease in the administrative penalty to be imposed. In this regard, the Committee shall consider:

- i) The stage at which the SP registered an admission of the breaches.
- ii) The stage at which the SP implemented remediation, committed to implementing remediation or was otherwise imposed to remediate the breaches.

Any admission made by the SP needs to be provided in writing.

Admission of Breaches	Percentage Reduction
Admission before the Potential Breaches Letter is issued	25%
Admission after receipt of Potential Breaches Letter, up to when representations are submitted	15%
Admission at settlement stage	10%
Remediation of Breaches	Percentage Reduction
Remediation implemented before compliance examination <sup>3</sup>	25%
Remediation implemented after compliance visit or at representation stage	20%
Remediation committed to with settlement	10%
No Remediation committed to but shall be imposed	0%

When the Committee determines that it shall offer a settlement to a SP for operational breaches<sup>4</sup>, it will assess the percentage decrease in the administrative penalty to be imposed. In this regard, consideration is to be given to:

- i) Whether the SP registered an admission in reply to the potential breaches letter.
- ii) Whether the SP has already implemented remediation, committed to implementing remediation or will otherwise be imposed to remediate the breaches.

<sup>3</sup> The term “compliance examination” includes any intervention carried out by the FIAU to assess compliance with the AML/CFT legislative provisions.

<sup>4</sup> Operational breaches shall have the same meaning as that provided for in the Enforcement Guide, publicly available on the FIAU website.

Admission of Breaches	Percentage Reduction
Admission in reply to potential breaches letter	25%
Remediation of Breaches	Percentage Reduction
Remediation completed	25%
Remediation committed as part of settlement	10%
No Remediation committed to but shall be imposed	0%

Where the Committee decides to propose to the SP a settlement involving a decrease in the administrative penalty, this shall be done only subject to the following conditions:

- i) The SP declares its unconditional agreement with the Committee's determination of the breach/es.
- ii) The SP renounces its right to appeal as provided for under Article 13A of the PMLA and renounces its rights to otherwise contest the determination of the Committee by any other means or to otherwise take any action against the Unit, its officers or employees in relation to the Committee's decision.
- iii) The upfront payment of the full amount of the reduced penalty.<sup>5</sup>
- iv) Where applicable, the SP submits an Action Plan outlining the remedial/corrective actions it will undertake within the agreed timeframes as per the remedial/corrective measures outlined in the settlement letter.
- v) The SP co-operates fully and is forthcoming in providing all the information and documentation necessary in terms of the settlement agreement and the ensuing action plan.
- vi) Publication will take place as per Section 4 below.

<sup>5</sup>

Unless the Committee agrees otherwise in exceptional and justified circumstances

## **2.2 Procedure for settlement (Compliance examinations)**

Once the Committee concludes its deliberations and decides the potential percentage decrease to the administrative penalty to be imposed, the Enforcement Section communicates the decision through a settlement letter. The latter includes a copy of the settlement agreement<sup>6</sup>. The SP shall, within fifteen (15) working days from the date of notification of the settlement letter and settlement agreement, indicate its willingness or otherwise to settle and provide, if so required, a detailed Action Plan for the FIAU's approval and/or amendment, based on the identified breaches and required corrective actions as stipulated in the settlement letter. Where the SP has fully remediated the material weaknesses identified, the SP shall provide a declaration of compliance with all the required corrective actions it carried out, as stipulated in the declaration of compliance, together with evidence as would be required (unless this has all already been provided as part of the SP's representations).

A first meeting with the SP shall be held within fifteen (15) working days from the receipt of the proposed action plan or declaration of compliance by the FIAU. During this meeting, the settlement process, as well as any required changes to the Action Plan or actionable items and the timeframes relating to the action points therein, or any details within the SP's declaration of compliance, are discussed.

Following this initial meeting, the representatives of the SP shall be given three (3) working days within which to communicate their acceptance or otherwise of the settlement proposal to the CMC.

In case of agreement, a second meeting shall be held within fifteen (15) working days from communication of the SP's acceptance to the FIAU.

During this second meeting, FIAU officials and representatives of the SP discuss the contents of the publication to be issued by the FIAU on its website and sign the settlement agreement. The discussion on the content of the publication shall not be construed to be a right of the SP to dictate or impose on the Unit any detail to be included or omitted from the publication. It shall always remain the prerogative of the FIAU to determine its content.

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To the extent applicable, the settlement agreement shall follow the template set out in Annex I hereto and shall as a minimum contain the information referred to in Regulation 22 (3) of the PMLFTR.

Under no circumstances may the breaches (including the seriousness and materiality of the same) and the quantum (both the full administrative penalty and the revised penalty) as decided by the Committee be the subject of discussions or negotiations during any of the meetings, and the decision of the Committee shall be final and undisputed at all times.

The meetings shall be held between:

- Representatives from the FIAU, as a minimum, one representative from the Operations Team of the Enforcement Section and one member of the CMC.
- The Money Laundering Reporting Officer of the SP.
- At least one representative from the Board of Directors<sup>7</sup> who is legally authorised to decide and is a signatory of the SP.

Any other official of the SP, the SP's legal counsel, as well as the SP's consultant, may also be present during this meeting.

The settlement agreement shall be signed within **forty-nine (49)** working days from the date of notification of the settlement letter, unless, upon exceptional circumstances, the Committee deems fit to increase the stipulated time frames.

The Unit's proposal for settlement shall be considered to have been refused where the SP either communicates its outright refusal to the Unit or fails to reply within any of the timeframes set hereabove. The proposal for settlement shall also therefore be considered as refused where there is the lapse of the **forty-nine (49)** working day period to conclude the settlement agreement (unless an extension was granted by the Committee), or where the SP proves not to be willing to take concrete actions to settle through the period from initial proposal for settlement up to the **forty-ninth (49) day**<sup>8</sup>. In these circumstances, the normal enforcement process shall resume forthwith.

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<sup>7</sup> Where the SP is a legal entity or arrangement.

<sup>8</sup> Unless there is agreement by the Committee to extend the timeframes.

The settlement agreement shall be considered not to have been concluded if the SP does not pay the reduced amount in accordance with the terms set out in the agreement. In these circumstances, the normal enforcement process shall resume forthwith.

## **2.3 Procedure for settlement (Operational breaches)**

In dealing with operational breaches, the Committee shall be informed of the potential breaches identified from any periodic exercise carried out by the enforcement section. It shall also proceed to establish whether, based on the evidence available, it determines there is a prima facie breach of the applicable legislative provision.<sup>9</sup> Should such a prima facie breach be established, the subject person shall be afforded the opportunity for settlement when informed of the prima facie breaches established by the CMC. Therefore, the subject person may opt to settle instead of submitting representations to the Committee. The SP shall be afforded 30 days to either inform the Committee that it has agreed to settle or else submit written representations on the prima facie breaches. SPs who decide to settle are not to submit any written representations.

Any SP who agrees to settle shall be required to inform the FIAU in writing within 30 days. Within this same period, the SP is also to provide details as to how it intends to enhance the internal procedures, resources or users on FIAU portals to remedy the situation (depending on the type of operational breach identified) or otherwise submit a declaration of compliance declaring that all necessary enhancements have indeed been carried out. The declaration of compliance template shall also be provided to the SP together with the potential breaches letter. Once in receipt of the SP's written confirmation of settlement and extent of remediation or commitment, the FIAU shall, within 30 days, issue a settlement agreement for signing by the SP. The agreement shall be signed by the SP and received by the FIAU within 14 days from the issue of the agreement.

If, upon the lapse of the 30 days, the SP either submits representations or otherwise does not submit any reply, it shall be construed that the SP does not intend to settle, and in which case the normal enforcement process shall follow.

<sup>9</sup>

The Committee's determination is a prima facie one since it would not have received any representation by the subject person.

Operational breaches are published in an abridged statistical approach<sup>10</sup>, which shall also include statistical information on the number of settlements for each operational breach. In the circumstances where the amount after settlement exceeds €50,000 and which would also require a named publication, the publication process referred to in Section 4 shall apply.

## **2.4 Non-compliance with a settlement agreement (compliance examinations)**

Failure of the SP to remediate the identified breaches as specified in the settlement agreement, in whole or in part (except for minor variances, justified reasonable delays or other justifiable reasons), will result in the SP forfeiting the reduction allocated thereto. In such circumstances, the case shall be referred to the Committee, which, after considering the circumstances, may determine that a judicial letter is issued to the SP. In virtue of the judicial letter, the FIAU shall call upon the SP to pay the reduced amount and inform the SP that it will take any other necessary actions to enforce compliance in line with the terms of the settlement agreement, where applicable. The publication on the FIAU website shall, upon the SP's receipt of a judicial letter, be updated to reflect the non-adherence with the terms of the settlement agreement, in line with Section 4 of this policy.

The Unit may proceed to file an action before the First Hall Civil Court for breach of the terms of the settlement agreement, to recover the amount in question and to request the enforcement of the remedial/corrective actions as per the settlement agreement. The Unit may also request the Court to provide for the imposition of a daily penalty of up to Euro 1,000 until the SP complies with the terms of the settlement agreement. The publication notice shall be updated to reflect such action by the FIAU. Upon conclusion of any such proceedings, the publication notice shall be updated to reflect the decision of the Court, including details of the terms of the settlement agreement that have not been honoured and, where the total amount paid/payable by the SP reaches or exceeds Euro 50,000, the subject person shall also forfeit any anonymity afforded to it under the terms of the settlement agreement.

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Unless there is any one breach that exceeds €50,000, which would be issued as a stand-alone publication, and which shall follow the same process referred to in the preceding paragraph.

## 3. Out of Court Settlement

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In terms of the transitory provision set out in the Prevention of Money Laundering and Funding of Terrorism (Amendments) Regulations, 2026 and the Centralised Bank Account Register (Amendments) Regulations, any SP who, at the time of the coming into force of the regulations introducing settlement agreements would have a pending appeal against the FIAU, may send a written request to the Unit for an out-of-court settlement within a period of six (6) months from the coming into force of the applicable Legal Notice. The Unit shall provide the SP with a reply within thirty (30) working days from receipt of the said request, by means of an out-of-court settlement Letter. The Unit acting through the CMC, may, at its discretion, accede to such a request upon certain conditions, including but not limited to:

- Acceding to the breaches as had been determined by the Unit.
- The waiver/ withdrawal of the appeal proceedings.
- Renounce any other rights to contest the determination of the Committee by any other means, or to otherwise take any action against the Unit, its officers or employees in relation to the Committee's decision.
- The payment of the reduced administrative penalty.
- The immediate undertaking of any remedial/corrective action as directed in the FIAU's decision (unless this was already concluded).

The percentage decrease in an out-of-court settlement shall be a 30% reduction in the penalty originally imposed by the FIAU in cases where the SP has not initiated remediation pending proceedings, and a 50% reduction where the SP has either completed or effectively initiated remediation pending proceedings. No negotiation as to the percentage reduction shall be entertained.

Notwithstanding the above, in instances where the SP is in the process of surrendering its license or has already surrendered its license or is no longer operating, it will not be expected to carry out the remedial/corrective measures. In such cases, the percentage reduction shall be 50% of the original penalty imposed by the FIAU.

No one is to construe any provisions of the PMLFTR, CBARR or this policy as conferring on a SP a right to enter an out-of-court settlement with the Unit. A SP is to request the Unit to consider an out-of-court settlement. The decision to do so rests exclusively with the Unit, acting through the CMC. The same non-exhaustive criteria that the CMC considers as listed in Section 2 above shall also be considered by the CMC in deciding whether to grant an out-of-court settlement.

Decisions taken by the Committee in terms of this policy, including the conclusion of an out-of-court settlement agreement or otherwise, shall be communicated to the authority regulating the licensing, authorisation or warrant of the SP for its attention.

Where the FIAU's decision would have included a directive to carry out remedial/corrective actions, and the SP would not have yet initiated or completed such remediation, the out-of-court settlement shall be entered into upon condition that the directive as imposed in the sanction letter is effectively and wholly implemented by the SP. The SP shall forthwith proceed with implementing the remedial/corrective measures as outlined in the sanction letter, including the submission of the Action Plan and the necessary documentation, as outlined in the out-of-court settlement letter and out-of-court settlement agreement, where applicable.

Once the CMC decides to enter an out-of-court settlement with the SP, the Enforcement Section shall communicate this decision to the SP by means of an out-of-court settlement letter and an attached out-of-court settlement agreement. An in-person meeting is held within fifteen (15) working days from the date of notification of the out-of-court settlement letter, during which representatives of the SP shall sign the out-of-court settlement agreement on behalf of the SP.

## 4. Publication

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The Unit shall publish a summary of any settlement agreement or out-of-court settlement agreement in line with Article 13C of the PMLA. The publication notice, any updates thereto shall be in line with the Unit's Policy and Procedures on the Publication of AML/CFT Administrative Penalties and Measures. Operational breaches may be published in an abridged statistical approach<sup>11</sup>, which shall also include statistical information on the number of settlements entered for each operational breach.

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Unless there is any one breach that exceeds €50,000, which would be issued as a stand-alone publication and which shall follow the same process referred to in the preceding paragraph.

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