



Administrative Measure Publication Notice

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

DATE OF IMPOSITION OF THE ADMINISTRATIVE MEASURE:

7 May 2026

RELEVANT ACTIVITY CARRIED OUT:

Collective Investment Scheme

SUPERVISORY ACTION:

Off-site compliance examination carried out in July 2022

DETAILS OF THE ADMINISTRATIVE MEASURES IMPOSED:

Remediation Directive in terms of Regulation 21 of the Prevention of Money Laundering and Funding of Terrorism Regulations (the PMLFTR)

LEGAL PROVISIONS BREACHED:

- Regulation 5(5)(a)(ii) of the PMLFTR and Sections 3.5, 3.5.1, 3.5.1(a), 3.5.2, and 3.5.3 of the FIAU Implementing Procedures – Part I (the IPs)
- Regulations 5(1) and 5(4) of the PMLFTR and Sections 3.3 and 3.4 of the IPs
- Regulations 7(2)(a) and (b) of the PMLFTR and Sections 4.5.1(a) and (b) of the IPs
- 7(1)(a), (b), and (c) of the PMLFTR and Sections 4.3.1, 4.3.2.5, 4.4.1 and 4.4.2 of the IPs

REASONS LEADING TO THE IMPOSITION OF THE ADMINISTRATIVE MEASURE:

Customer Risk Assessment (CRA) – breach of Regulation 5(5)(a)(ii) of the PMLFTR and Sections 3.5, 3.5.1, 3.5.1(a), 3.5.2, and 3.5.3 of the IPs

The compliance examination identified deficiencies in the timely performance and proper documentation of CRAs. In particular, a proportion (15%) of the customer relationships reviewed were not supported by evidence demonstrating that CRAs had been completed prior to the establishment of the business relationship, as required by the applicable regulatory framework. In these instances, while CRAs had been performed, their completion occurred after onboarding and the commencement of subscription activity. The Committee noted that these cases related to customer relationships established a few years prior to the compliance examination, indicating historical weaknesses in the timeliness of CRA completion rather than an absence of risk assessment altogether.

Furthermore, in relation to an additional subset of customer files reviewed (40%), the CRA documentation was available on file but had not been dated. As a result, it was not possible to verify whether the assessments had been conducted prior to onboarding or at a later stage during the business relationship. While the absence of dates hindered effective supervisory verification, the finding indicated that CRAs had nevertheless been documented for the customer relationships reviewed. Collectively, the shortcomings affected the robustness and demonstrable effectiveness of the Company's risk-based approach, particularly in evidencing the timely application of appropriate customer due diligence (CDD) measures. In addition to the above, minor shortcomings were also identified in the CRA methodology, which was not considered to be fully tailored to the Company's risk profile and lacked sufficient clarity in certain areas, particularly with regard to the absence of consideration relating to customer involvements in higher-risk sectors.

In its representations, the Company acknowledged the identified limitations in the CRA methodology and indicated that enhancements had been implemented to better align the framework with its risk profile. The Company also recognised the historical documentation deficiencies and attributed these to periods of operational transition, including changes in fund administration arrangements. The Company confirmed that, subsequent to 2019, it undertook a comprehensive review of customer files to ensure that a CRA had been performed in all cases, with priority being afforded to higher-risk customers. It was explained that this exercise was conducted over time due to the scope of such reviews. The Company also outlined that mitigating measures had been applied in the interim, including identification and verification procedures, knowledge obtained on customers prior to onboarding, senior management involvement in higher-risk relationships, and controls aimed at limiting customer activity pending receipt of outstanding KYC documentation. While noting the remedial actions described and the time elapsed since the identified shortcomings, the Committee reiterated that personal familiarity with customers or reliance on ancillary controls cannot substitute the requirement to conduct, document, and formally approve a CRA prior to onboarding. Nevertheless, the Committee acknowledged the confirmation that current procedures now require CRAs to be duly completed, dated, and approved before customer acceptance, thereby strengthening alignment with regulatory expectations.

Business Risk Assessment (BRA) – breach of Regulations 5(1) and 5(4) of the PMLFTR and Sections 3.3 and 3.4 of the IPs

The compliance examination found several shortcomings in the BRA, including weaknesses in the quantitative methodology, gaps in assessing residual risk, delays in the assessment's approval, and failures to update the BRA following material changes to the business. The examination also noted inconsistent risk scoring, unsupported risk outcomes, outdated information in earlier versions of the BRA, and insufficient analysis of the impact of business developments and higher-risk areas. These issues undermined its effectiveness as a tool for managing ML/FT risks.

In its representations, the Company acknowledged the identified deficiencies and confirmed that enhancements had since been implemented to the BRA and related AML/CFT policies and procedures. It was submitted that updated versions of the BRA now more accurately reflect the business model, customer base, structural arrangements, outsourcing framework, and risk exposure arising from the involvement of more than one fund administrator, and that the BRA is subject to periodic review and formal approval at governance level. The Committee positively noted that the most recent BRA demonstrated improved articulation and assignment of residual risk across risk categories, recognising that risks may persist despite the application of mitigating measures. The importance of ensuring timely updates following material changes, supported by clear and consistent data and accompanied by proportionate mitigation strategies, was reiterated by the Committee.

Transaction Monitoring & Customer Due Diligence (CDD) – breach of Regulations 7(1)(a), (b), and (c), and 7(2)(a) and (b) of the PMLFTR and Sections 4.3.1, 4.3.2.5, 4.4.1, 4.4.2, and 4.5.1(a) and (b) of the IPs

Customer Profiling & Scrutiny of Transactions

Shortcomings were identified in customer profiling and ongoing transaction monitoring arrangements. In particular, around 30% of the customer files reviewed lacked sufficient information and/or documentation to comprehensively establish the sources funding the customer's activity and their business activities. This also hindered the Company's ability to effectively monitor the customers' transactional and behaviour activity through the relationship. The Committee noted reliance was, in some instances, placed on declaratory information, personal familiarity with the customer, or documentation that was outdated, incomplete, unverifiable, or insufficiently evidential of the flow and origin of funds. At the same time, the Committee positively acknowledged that remedial information provided in a number of other customer files that had been reviewed during the examination enhanced the overall understanding of the customer profiles and risk exposure for such customers. This also reassured the Committee that the Company had knowledge of the measures that are necessary to establish a comprehensive customer profile. The Committee also noted that such measures had since been enhanced further to strengthen customer profiling, improve the quality of CDD documentation obtained at onboarding, and reinforce ongoing monitoring procedures. Nevertheless, it was emphasised that effective transaction monitoring must be based on a sufficiently detailed, accurate, and documented understanding of the customer's business activities, SOW, and expected behaviour, in line with regulatory requirements.

Expected Level of Transactional Activity

The examination further identified instances (10% of the customer files reviewed) where information on the expected level and frequency of transactions over the course of the business relationship had not been obtained at onboarding. While acknowledging that transactional patterns within certain investment structures may vary, the Committee reiterated that subject persons are required to obtain at least a general or indicative understanding of expected transactional behaviour at the outset. Such information is fundamental to establishing a baseline against which unusual or potentially suspicious activity may be identified. The customer's income streams and employment also help gauge an understanding of the extent of the activity to expect. Given the limited number of instances identified, the Committee assessed the breach to be of relatively low materiality, while recommending the formal inclusion of indicative transaction expectations within the customer profiling framework.

Identification & Verification

Deficiencies were also identified in the identification and verification measures applied to a legal arrangement, specifically a trust structure. In particular, fundamental constitutional documentation, such as trust deeds, had not been obtained at onboarding, resulting in an incomplete understanding of the structure, uncertainty regarding the identification of all relevant parties, and inconsistencies in determining the status of customer for AML/CFT purposes. The Committee noted that reliance on partial or secondary documentation was insufficient to meet the requirement to identify and verify customers and beneficial owners (BOs) using reliable and independent sources. While it was confirmed that additional documentation had been obtained subsequent to the examination, the Committee commended the Company yet emphasised that verification measures are necessary at onboarding to have sound knowledge of the customers that will be onboarded. The Committee underscored that constitutional documents are essential to the effective, risk-based application of CDD measures and must be obtained, reviewed, and approved prior to onboarding. Accordingly, the need to strengthen identification and verification controls, introduce pre-onboarding safeguards to prevent account activation in the absence of complete CDD documentation, and ensure consistent application of requirements across onboarding channels and service providers was stressed.

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

As outlined above, the Committee determined that the Company had failed to comply with various AML/CFT obligations arising from the PMLFTR and the IPs. In view of the breaches identified, the Committee decided to exercise its powers under Regulation 21(4)(c) of the PMLFTR and to issue a Remediation Directive.

In reaching its decision regarding the appropriate administrative measure, the Committee took into account all information made available during the compliance examination, together with the representations subsequently submitted. While emphasising the importance of the identified shortcomings and the importance of full and timely compliance with AML/CFT requirements, the Committee noted the presence of several mitigating factors which were considered relevant in determining the proportionality of the measure imposed. In particular, the Committee observed that the majority of the breaches identified were predominantly procedural and documentation-related in nature, rather than indicative of a complete absence of AML/CFT control implementation. The Committee further acknowledged that remedial actions had already been initiated following the compliance examination, including enhancements to CRA processes, CDD arrangements, transaction monitoring practices, and internal governance frameworks. The Committee also had regard to the level of cooperation demonstrated throughout the supervisory process and to the remedial stance adopted once the deficiencies were identified. Consideration was given to the progression of the case from supervisory review through to enforcement and to the need to ensure that the administrative response remained effective, proportionate, and dissuasive, while facilitating the timely remediation of the identified weaknesses.

Against this background, the Committee concluded that the imposition of a Remediation Directive, was appropriate in the circumstances. The Directive is intended to ensure that the Company addresses the identified shortcomings, strengthens its AML/CFT control framework, and attains full and sustained compliance with its legal obligations under the PMLFTR and the IPs. By means of the Remediation Directive, the Company is required to implement targeted remedial measures aimed primarily at strengthening its CRA framework, BRA, CDD arrangements, and ongoing transaction monitoring processes, including but not limited to:

- Enhancing its CRA framework to ensure that CRAs are formally documented, completed, and approved prior to the establishment of any business relationship, and are reviewed on an ongoing, risk-based basis.
- Strengthening CDD and customer profiling arrangements to ensure a sufficiently detailed and documented understanding of customers, including the purpose and intended nature of the business relationship, SOF/W, and expected transactional behaviour, supporting effective ongoing monitoring.
- Improving transaction monitoring processes to ensure the timely identification, assessment, and documentation of unusual or potentially suspicious activity, and that appropriate escalation and follow-up actions are undertaken where required.
- Reviewing and enhancing the BRA to ensure it accurately reflects the nature and scale of the activities carried out, clearly distinguishes between inherent and residual risk, and is subject to regular review and formal approval at governance level.

The Directive served on the Company shall ensure that sufficient and tangible progress is achieved on the adoption and implementation of all the procedures and measures referred to above. In the event that the requested information and/or supporting documentation are not made available within the stipulated timeframes, or the Company falls short of its obligations in terms of this Directive, the Company's default will be communicated to the Committee for its eventual actions, including the possibility of the imposition of an administrative penalty in terms of the FIAU's powers under Regulation 21(1) of the PMLFTR.

Key Takeaways

- In line with Regulation 5(5)(a)(ii) of the PMLFTR and Section 3.5 of the IPs, CRAs must be conducted prior to the establishment of a business relationship and must be properly documented, dated, and approved. This obligation applies irrespective of the nature or perceived risk profile of the customer, including within investment fund structures where customer activity may be passive or infrequent. Subject persons cannot rely on assumptions, personal familiarity, or the perceived regulatory status of counterparties as a substitute for a formal and structured CRA. To meet this requirement, subject persons should adopt a comprehensive CRA methodology that considers all relevant sources of ML/FT risk, including customer, geographical, product and service, delivery channel, and transactional risks, as set out in Section 3.5.1(a) of the IPs. Appropriate risk factors under each pillar are necessary to ensure that customer risk ratings are objective, consistent, and proportionate.
- With respect to the BRA, Regulations 5(1) and 5(4) of the PMLFTR and Sections 3.3 and 3.4 of the IPs require subject persons to maintain a BRA that accurately reflects the nature, scale, and complexity of their activities. The BRA should clearly identify inherent risks and highlight how mitigation measures reduce such risks to a residual level. It must be kept up to date to reflect material changes and be subject to clear governance, including periodic review and formal approval at senior management or board level.
- In terms of CDD, Regulation 7 of the PMLFTR and Section 4.4 of the IPs require subject persons to obtain sufficient information to understand the purpose and intended nature of the business relationship. Customer profiling should include a documented understanding of the customer's activities, SOF/SOW, and expected transactional behaviour, in order to support effective ongoing monitoring. In line with Section 3.5 of the IPs, ongoing monitoring must be conducted throughout the business relationship and be informed by a clear baseline of expected activity. Transactions should be scrutinised for consistency with the customer profile or otherwise in view of their complexity or value, with appropriate documentation of reviews, conclusions, and any escalation actions taken to demonstrate compliance with AML/CFT obligations.
- With regards to identification and verification obligations, details obtained on trusts must be verified by referring to appropriate independent, reliable sources, this in line with Section 4.3.2.5(ii) of the IPs. Such should be done through requesting copies of the trust instrument or extracts of the relevant parts. Signed declarations by the trustee may only be obtained in exceptional circumstances, such as when a trust is created verbally and thus no trust deed or similar instrument exists.

8 May 2026