UNDERSTANDING THE IMPORTANCE OF RISK FACTORS

With An Update On AMLA's Risk Factor Guidelines.

Presented by

Dr Adam Falzon

Legal Officer, Guidance and Outreach (Legal Affairs).

2026 | ©Financial Intelligence Analysis Unit Malta

FIAU Public

FIAU

Topics to be Discussed

Where we are today

The FIAU Implementing Procedures

How risk factors work

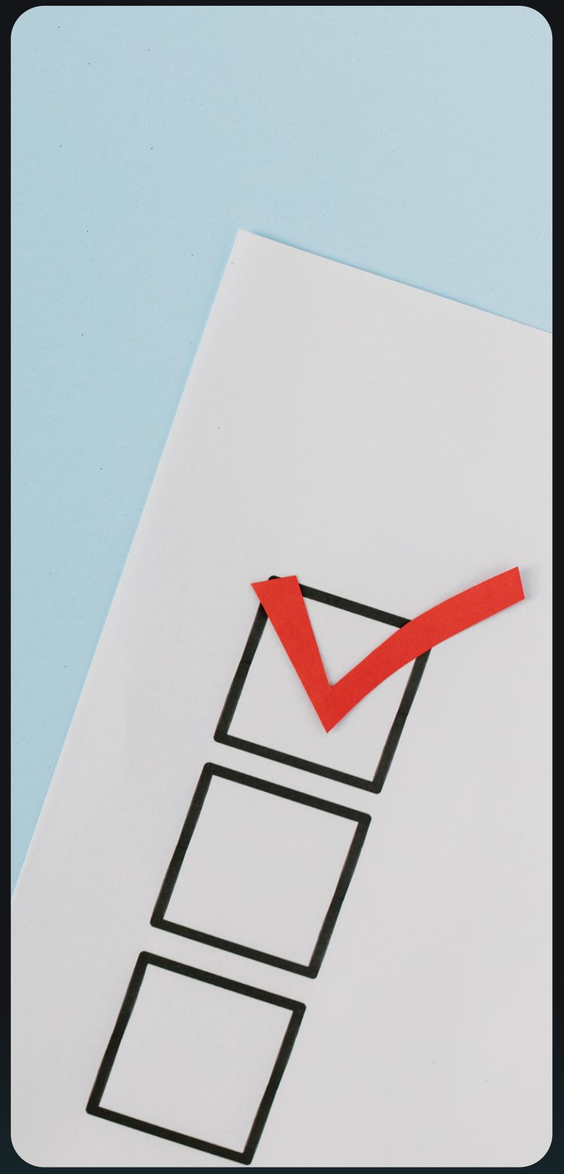
Evidence, assessment, classification and controls.

What is changing

AMLR and emerging AMLA direction.

A look at Specific Risk Factors

PEPs, HNWIs, CASPs and gaming.

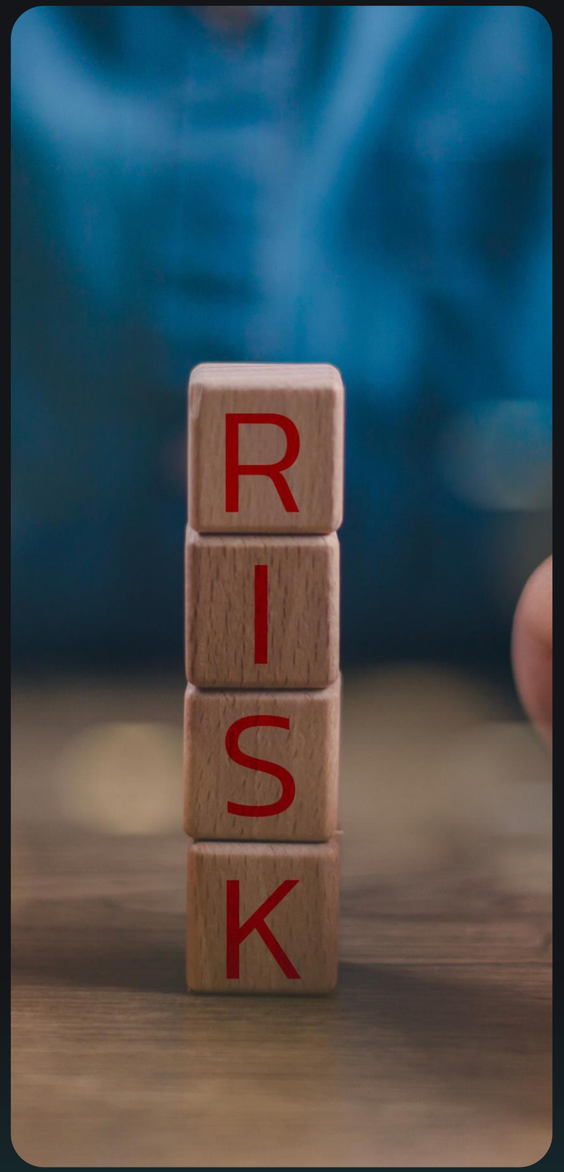


FIAU Public

FIAU

Why Risk Factors Matter?

- **Risk factors turn the RBA into decisions.**
- **A risk factor is information and not a risk classification**
- **FACTOR**
  What relevant characteristic is present?
- **ASSESSMENT**
  What does it mean in context and combination
- **ACTION**
  What should change in CDD, monitoring or review?



FIAU Public

FIAU

Where We Are Today

Two assessments, one risk-based framework:

Business Risk Assessment	Customer Risk Assessment
Overall business exposure	Individual relationship or transaction
Customer base, products, channels and geography	Customer, ownership, purpose, activity and funds
Allocation of controls and resources	Proportionate CDD and monitoring

- Risk Factors cannot be exhaustive
- Assess factors **holistically.**
- Avoid automatic single-factor outcomes.
- Document weighting and judgement.
- Link classification to proportionate controls.
- Retain professional judgement.

FIAU Public

FIAU

How the Assessment Should Work

From evidence to control:

Evidence

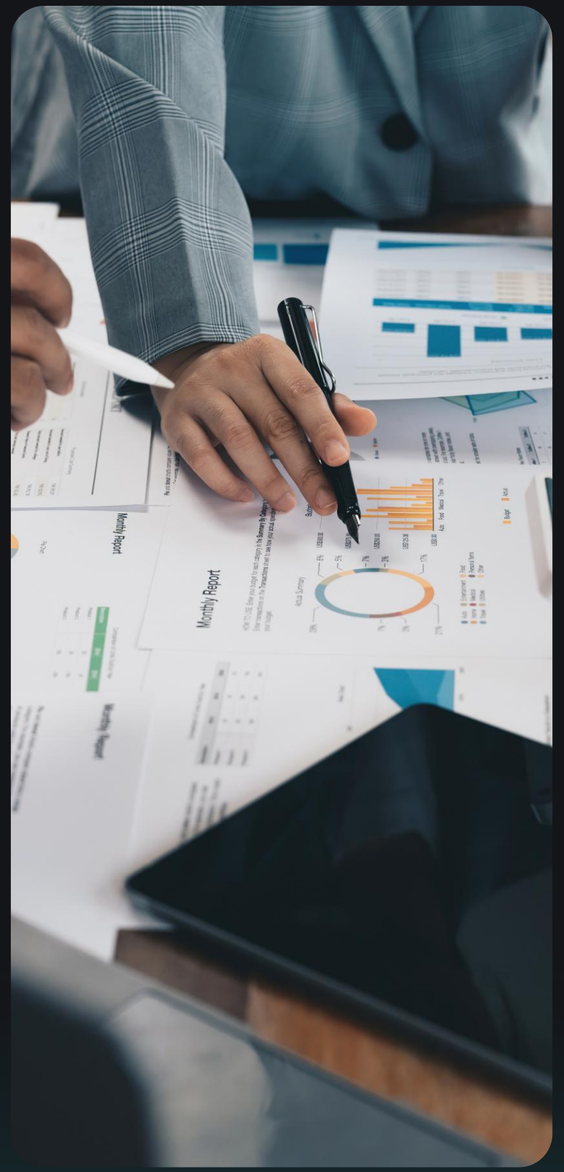
Customer data, ownership, activity, funds, external and internal sources.

Risk variable

Customer, product, transaction, channel or geography.

Specific factor

The characteristic that increases or reduces risk.



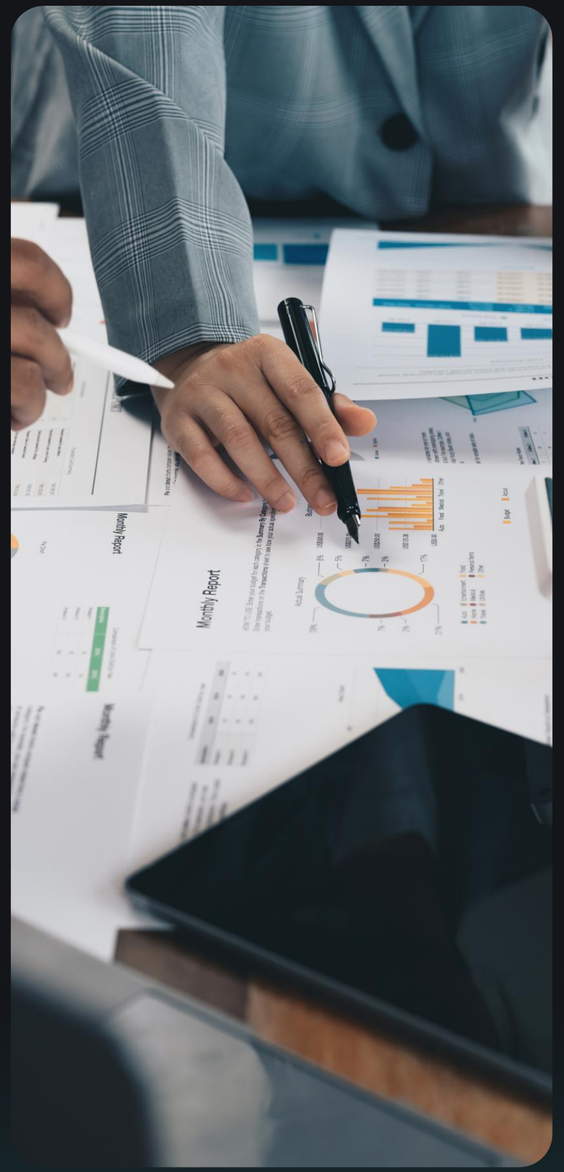
FIAU Public

FIAU

How the Assessment Should Work

From evidence to control:

- **Holistic assessment**
  Relevance, reliability, weighting and combination.
- **Classification**
- **CDD and monitoring**
- **Review and feedback**



FIAU Public

FIAU

Risk-Based Approach Under the AMLR

- AMLR embeds customer risk assessments within a harmonised EU-wide AML/CFT framework.
- Customer assessments must consider:
  - Business-wide risk assessment
  - Relevant risk variables
  - Higher and lower-risk factors established under the AMLR
- Annex II and Annex III provide the baseline risk factors.
- AMLA Risk Factor Guidelines will supplement these factors under Article 20(3) AMLR.



FIAU Public

FIAU

Risk-Based Approach Under the AMLR

- Risk outcomes drive due diligence measures:

  Higher risk → Enhanced Due Diligence (EDD)
  Demonstrably lower risk → Simplified Due Diligence (SDD), where legally permitted

- Certain customer characteristics trigger legal obligations irrespective of risk-scoring methodologies.

- Politically Exposed Persons (PEPs) are subject to mandatory EDD measures under Article 34 AMLR.

- All PEP relationships carry a baseline high-risk classification; risk factors help determine the degree of elevated risk.



FIAU Public

FIAU

Structure of the Draft AMLA Risk Factor Guidelines

- Horizontal risk indicators applicable across all sectors.
- Sector-specific ML/FT risk indicators.
- Dedicated guidance on:
  - PEPs
  - High-net-worth personalised services
  - Non-EU geographic risks
- Risk factors identify both higher-risk and lower-risk situations.
- Indicators are grouped by:
  - Customer
  - Transaction, Product, Delivery channel
  - Geographic location



FIAU Public

FIAU

Horizontal Risk Factors – Customer Risk Indicators

Potentially higher risk	Potentially lower risk
Cash-intensive activity	Listed company with effective ownership-disclosure requirements.
Links to corruption or ML/TF-exposed sectors	Public administration or public enterprise in a low-corruption jurisdiction.
Credible adverse information or doubts about customer information	Supervised obliged entity from a country with an effective AML/CFT regime.
Source of wealth or funds not readily explained	Customer resident or established in a lower-risk geographical area.
Complex structures, nominees, bearer shares or asset-holding vehicles	Clear local connection between the customer and obliged entity.
Non-resident customer with no apparent reason for using the service	Long-standing, well-understood relationship consistent with the known profile.

The customer indicators may also be relevant to beneficial owners and beneficiaries.

FIAU Public

FIAU

Horizontal Risk Factors

Product, Service and Transaction Risk

Potentially higher risk	Potentially lower risk
Product conceals the customer, beneficial owner or beneficiary	Recurring low-value payments consistent with the customer profile.
Unidentified third-party payments or instructions	Funding exclusively from the customer’s own regulated account.
Complex multi-party or multi-jurisdiction transactions without clear rationale	Low transaction cap supported by controls.
Anonymous payment methods or unexpected overpayments	
New products or technologies not yet well understood	
Cash-intensive or high-value functionality without meaningful limits	

FIAU Public

FIAU

Horizontal Risk Factors

Delivery Channel Risk

Potentially higher risk	Potentially lower risk
Instructions without reliable customer authentication	In-person identity verification using official documents.
Unknown introducer with no clear referral rationale	Identity verified using recognised electronic identification.
Intermediary of uncertain standing or outside licensing requirements	Reputable introducer within the same group or network.
Representatives inconsistent with the customer profile	Reputable, regulated or accredited professional intermediary.
Distribution through agents or distributors	Direct interaction with the beneficial owner.
Reliance on an entity with no established relationship	

FIAU Public

FIAU

Emerging AMLA Geographic Risk Indicators

- Geographic risk should be based on relevant links to a country, not simply the country itself.
- Key factors include:
  - Customer residence, establishment or registration
  - Beneficial owner connections
  - Countries of business operations
- Assess whether these links increase or decrease ML/FT risk exposure.
- Nationality and place of birth are not automatically relevant geographic risk factors.
- A customer should not be treated as higher risk solely because they were born in, or hold the nationality of, a high-risk jurisdiction.
- The focus should remain on actual economic, financial or business connections to a country.



FIAU Public

FIAU

Emerging AMLA Geographic Risk Indicators

Potentially higher risk	Potentially lower risk
Third country under FATF increased monitoring or identified for compliance weaknesses	Member State
Ineffective AML/CFT system	Third country with an effective AML/CFT system
Significant corruption or other predicate offending	Low level of corruption or other criminal activity
Sanctions, embargoes or similar restrictive measures	FATF-consistent AML/CFT requirements that are effectively implemented
Funding or support for terrorist activity, or terrorist organisations operating there	Effective beneficial-ownership transparency
Financial secrecy, cooperation barriers or weak ownership-transparency requirements	

FIAU Public

FIAU

Emerging AMLA Treatment of PEPs and Close Associates

Higher inherent PEP risk

- **The draft identifies the following categories as presenting higher inherent risk:**
  - Heads of State and government
  - Ministers and deputy or assistant ministers
  - Equivalent functions at Union level
  - Equivalent functions in third countries



FIAU Public

FIAU

Emerging AMLA Treatment of PEPs and Close Associates

A close associate may arise through

- Joint beneficial ownership with a PEP.
- Another demonstrably close business relationship.
- Sole ownership of an entity or arrangement established for the PEP's benefit.



FIAU Public

FIAU

Emerging AMLA Treatment of PEPs and Close Associates



Indicators that an entity may operate for a PEP's benefit

- The PEP gives instructions.
- Shared addresses or contact details.
- Funding originates from the PEP or connected persons.
- The PEP receives funds, benefits from assets or exercises control.

FIAU Public

FIAU

Emerging AMLA Approach to HNWI Personalised Services

AMLR Article 34 (5)

All three conditions must be present:

- Relationship already assessed as **higher risk**.
- At least **€5 million** handled through personalised services.
- Customer holds at least **€50 million** in qualifying assets.



FIAU Public

FIAU

Emerging AMLA Approach to HNWI Personalised Services



How should total assets be assessed?

- Use a reasonable, proportionate and documented estimate.
- Consider assets owned or controlled by the customer.
- Include assets held outside the obliged entity.
- Use customer information and reliable independent sources.
- Use alternative indicators or comparable assets where valuation is difficult.
- Assets assessed on a gross basis (before liabilities or financing).



FIAU Public

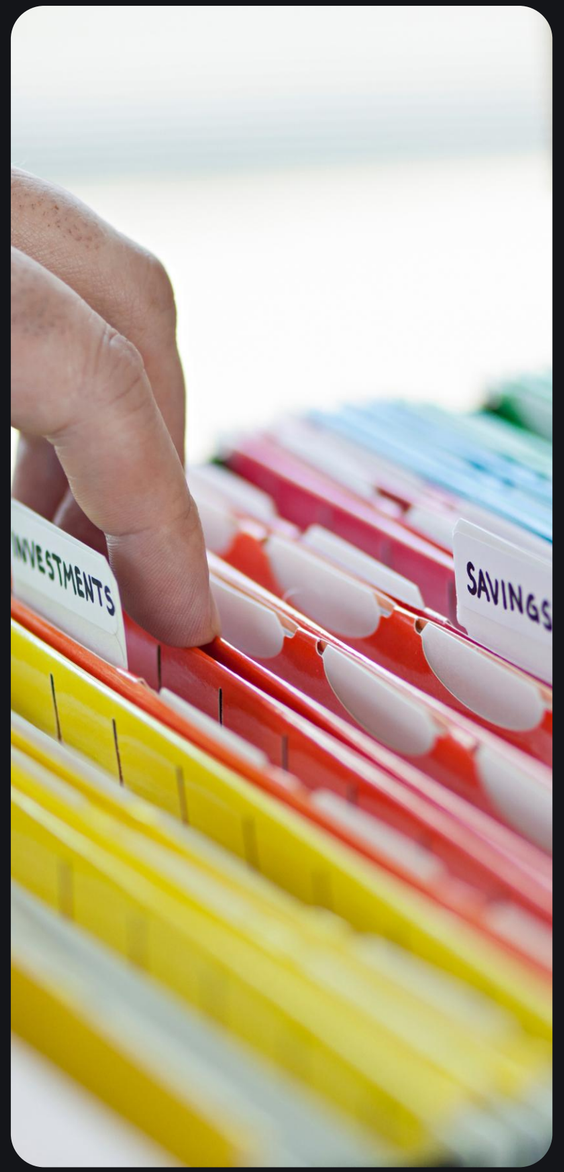
FIAU

Emerging AMLA Approach to HNWI Personalised Services

Asset categories

Financial assets | Investable assets | Real estate other than the private residence.

The purpose is to determine whether the threshold is met not to produce a forensic valuation.



FIAU Public

FIAU

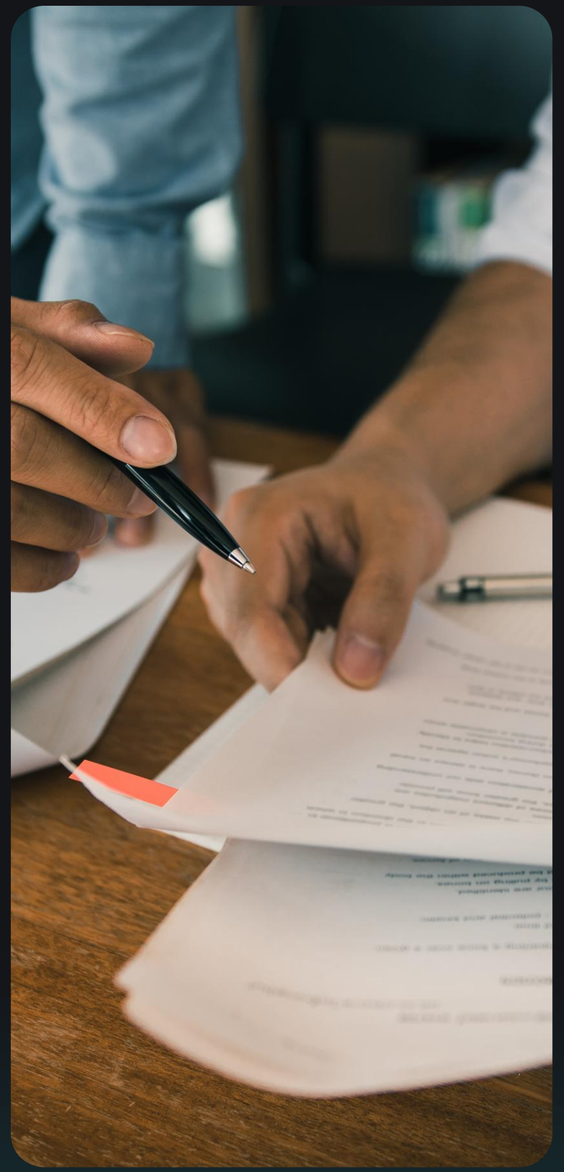
Practical Implications



Review the methodology, not just the factor list

- **Map** variables, factors and supporting evidence.
- **Capture** both higher- and lower-risk indicators.
- **Separate** weighted factors from mandatory legal triggers.
- **Test** for automatic outcomes.
- **Trace** each material factor to a control.
- **Reassess** when ownership, behaviour or exposure changes.

Do not place every indicator into one undifferentiated scoring engine.



FIAU Public

FIAU

Risk Factors, Prescribed Risk Ratings and Suspicion Indicators

Risk factor	Prescribed Risk Ratings	Suspicion indicator
Informs risk classification	Law prescribes the consequence	Prompts examination and possible reporting
Calibrates preventive measures	Cannot be scored away	Can arise at any risk level
May increase or reduce risk	PEPs, designated third countries, specified personalised services	Focuses on unusual or potentially illicit behaviour

Higher risk is not automatically suspicious - and suspicious activity can arise in a lower-risk relationship.

FIAU Public

FIAU

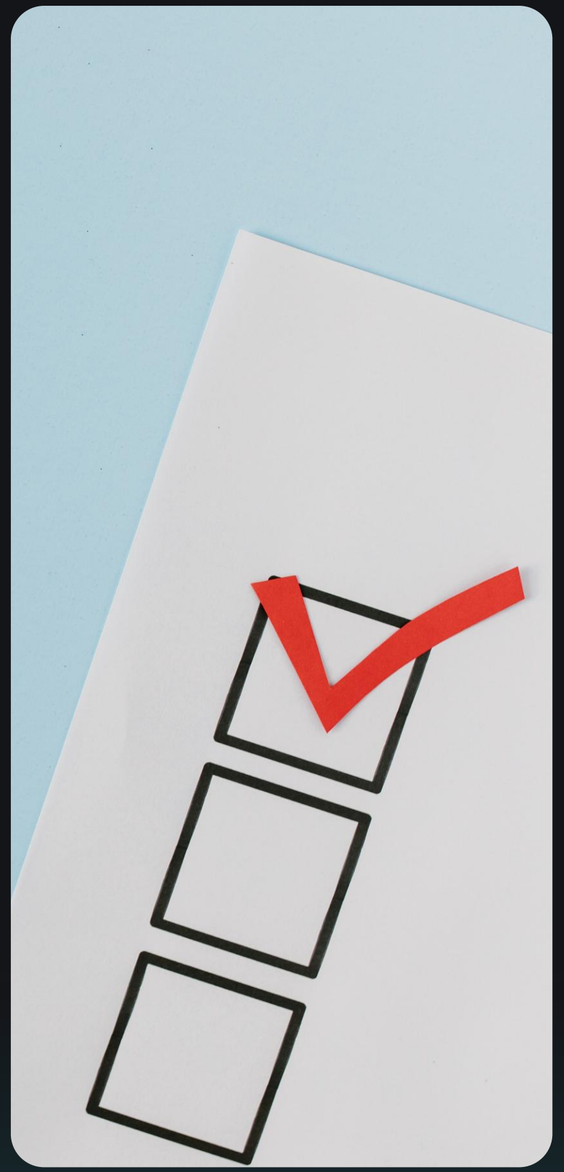
Key Takeaways

- Foundations remain unchanged:

  Identify relevant risk factors
  Assess them holistically
  Document the rationale
  Apply proportionate controls

- AMLA adds greater detail through horizontal and sector-specific indicators.

Good risk assessment is not about accumulating risk factors. It is about understanding what they mean in context and translating that understanding into proportionate and effective controls.



FIAU Public

Thank you!

W: fiaumalta.org

E: queries@fiaumalta.org