Settlement Agreement 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 Penalties and 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 ON WHICH SETTLEMENT WAS CONCLUDED:

26 October 2026

RELEVANT ACTIVITY OR FINANCIAL BUSINESS CARRIED OUT:

Investment Services

SUPERVISORY ACTION:

Compliance Examination carried out in 2023

SETTLED AMOUNT:

€37,386

DETAILS OF THE ADMINISTRATIVE MEASURES IMPOSED:

An administrative penalty of €57,517 and a Follow-Up Directive in terms of Regulations 21 and 23(1)(c) of the Prevention of Money Laundering and Financing of Terrorism Regulations (the PMLFTR).

A settlement agreement was entered into by an Investments Service Provider (the Company) and the FIAU in accordance with Regulation 22 of the PMLFTR, as further elaborated in the Settlement Agreement Policy issued by the FIAU in April 2026[1]. By means of the execution of the settlement agreement, the Company has adhered to all the conditions included in the aforementioned Settlement Agreement Policy. Accordingly, the original administrative penalty of €57,517 was reduced by thirty-five percent (35%), resulting in a revised administrative penalty of €37,386.

LEGAL PROVISIONS BREACHED:

- Regulation 5(5)(a)(ii) of the PMLFTR and Sections 3.5.1, 3.5.1(a), and 3.5.2 of the IPs
- Regulation 7(1)(c) of the PMLFTR and Section 4.4 of the IPs
- Regulations 7(2)(a) and 7(2)(b) of the PMLFTR and Sections 4.5.1(a) and 4.5.1(b) of the IPs

[1] https://fiaumalta.org/app/uploads/2026/04/Settlement-Agreement-Policy.pdf.

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 3.5.1, 3.5.1(a), and 3.5.2 of the IPs

Shortcomings were identified during the compliance examination in relation to the Company's CRA framework. In particular, a number of customer relationships were risk assessed after the commencement of the business relationship and/or the execution of transactions. The examination also identified a single instance where the CRA did not consider all four risk pillars and where records were not always available to demonstrate that customer screening measures had been completed prior to onboarding.

The Company attributed these shortcomings to a broader transition from manual processes to a more digitised AML/CFT framework and submitted that various CRAs and screening measures had been performed electronically. It further explained that challenges associated with the migration of customer information and legacy records to a newer system had affected the traceability of certain documentation reviewed during the examination, whilst noting that enhancements to its CRA framework had already been introduced prior to and during the examination period. To address these deficiencies, the Company implemented a number of measures, including enhancements to its CRA methodology and screening processes, improvements to customer data management and record-keeping practices, and a customer file remediation exercise aimed at ensuring that customer profiles and risk assessments are complete, current, and aligned with its updated AML/CFT framework and the applicable legislative and regulatory requirements.

Customer Profiling - Breach of Regulation 7(1)(c) of the PMLFTR and Section 4.4 of the IPs

The compliance examination revealed instances where insufficient information and supporting documentation had been collected to establish a comprehensive understanding of customers' business activities, source of wealth (SOW), and source of funds (SOF), including in relation to customers presenting elevated risk or engaging in significant investment activity. The examination also identified cases where information regarding the anticipated level and nature of transactional activity was either limited or not documented, restricting the Company's ability to establish sufficiently detailed customer profiles.

The Company has since ameliorated its controls relating to customer profiling, including measures intended to cater for higher-risk business relationships. The Company has also introduced onboarding reports focusing on key aspects of the customer profile, including SoW, SOF, financial profile and expected activity, all of which are reviewed on a periodic basis or trigger events. The Company additionally introduced a requirement of collecting SoF information for transactions meeting or exceeding €10,000. For all business relationships, including long-standing ones, the Company now better documents potential profile deviations through periodic reviews or trigger events, including any material changes to the initial SoF. The Company also highlighted improvements made to its customer profiling processes, including the digitisation of customer records, enhancements to the collection and recording of CDD information, mainly through new onboarding reports and by making use of vetting checklists, and an ongoing customer file remediation exercise intended to strengthen customer profiles and improve the availability of supporting documentation. The Company is now enhancing its procedures to fully reflect these control ameliorations.

Ongoing Monitoring – Scrutiny of Transactions - Breach of Regulations 7(2)(a) and 7(2)(b) of the PMLFTR and Sections 4.5.1(a) and 4.5.1(b) of the IPs

The compliance examination found weaknesses in the Company's transaction monitoring processes. In particular, a number of alerts generated by the Company's monitoring systems were discounted using generic or standardised explanations, without sufficient reference to the specific transaction, customer profile, or supporting information available. The examination also identified instances where customers conducted significant transactional activity and, while the Company had knowledge of the customers and their profile, this understanding was not adequately documented in writing or supported by sufficient evidence to corroborate the SOW and SOF underpinning such activity.

The Company explained that, some months prior to the examination, it had enhanced its transaction monitoring framework which relied on a combination of a newly introduced transaction monitoring system and manual oversight. The Company further submitted that similar discounting narratives were often used given that multiple alerts would be related to the same or substantially similar transactional activity and maintained that transactions were assessed against information already available to the Company and were therefore not considered suspicious. Reference was also made to the challenges encountered during the transition to a more digital operating environment, which affected the completeness of certain customer profiles (as documented within the software operated by the Company) and, consequently, the calibration of monitoring parameters.

As part of its remediation efforts, the Company is undertaking a remediation exercise aimed at further strengthening its transaction monitoring framework, through scenario-based transaction monitoring. This exercise includes a review of the existing transaction monitoring arrangements, together with the identification of additional monitoring scenarios and alert parameters. Pending the finalisation of the new transaction monitoring framework, the Company has adopted an interim approach, whereby all transactions relating to new capital injections are assessed and analysed on a pre-transaction basis through a set of rules (which are both threshold based and risk-based) designed to identify unusual activity. Furthermore, the Company has in place controls that document the audit trail on the discounting rationale, or any transactions escalated to the MLRO.

THE COMMITTEE'S REASONS FOR ENTERING INTO SETTLEMENT

The Committee considered that the administrative breaches identified during the 2023 Compliance Examination stemmed primarily from deficiencies in the Company's AML/CFT framework as implemented during the relevant period, particularly in relation to CRA, customer profiling, and the effectiveness of ongoing monitoring measures. These shortcomings impacted the Company's ability to consistently demonstrate a sufficiently comprehensive, risk-sensitive, and documented understanding of its customers and their transactional activity.

In reaching its decision, the Committee took into account the Company's representations regarding the significant transformation of its AML/CFT framework undertaken over a number of years, including the transition from predominantly manual processes to a more digitised compliance environment. Consideration was also given to the challenges encountered during this process, particularly in relation to the migration, consolidation, and remediation of customer information and records. Particular weight was given to the remedial measures undertaken by the Company following the compliance examination. These included enhancements to its CRA framework, customer profiling processes, screening and ongoing monitoring controls, improvements in customer data management and record-keeping practices, and the implementation of customer file remediation exercises aimed at addressing the deficiencies identified. The Committee also positively considered the Company's commitment to continuing the remediation process through ongoing reviews of its AML/CFT framework, the

enhancement and calibration of monitoring controls, the strengthening of governance and compliance oversight arrangements and the good level of cooperation demonstrated throughout the examination, representations, and settlement process.

Having considered the foregoing, the Committee assessed whether it could offer a settlement agreement in accordance with Regulation 22 of the PMLFTR, as further elaborated in the FIAU's Settlement Agreement Policy. The Committee is of the view that collectively, the administrative breaches warranted the imposition of a Follow-Up Directive, with one out of the three breaches being considered serious and systematic and therefore warranting also an administrative penalty. The Committee also took into account the Company's admission of the breaches, the remediation already implemented, the continued commitment of the Company's Board of Directors to addressing the remaining deficiencies, and the significant resources invested in strengthening its AML/CFT compliance framework. The Committee therefore considered that the matter merited a settlement agreement proposal, while still ensuring that the administrative measure imposed remained effective, proportionate and dissuasive.

Taking all relevant circumstances into consideration, the Committee decided to impose an administrative penalty of €57,517. By means of the execution of the settlement agreement, this penalty was reduced by thirty-five percent (35%), comprising:

- Admission of breaches following the receipt of the potential breaches letter, up to the submission of the Representations (15%); and
- Remediation implemented following the compliance visit or at representation stage (20%).

This resulted in a revised administrative penalty of thirty-seven thousand, three hundred and eighty-six Euro (€37,386).

Key Takeaways

- CRAs play a fundamental role in determining the nature and extent of CDD measures to be applied. Subject persons should ensure that CRAs are undertaken prior to establishing a business relationship or conducting transactions and are periodically reviewed to reflect changes in customer circumstances, activity, and risk exposure. Furthermore, risk assessment methodologies should be applied consistently across the customer base and should take into account all four risk pillars to ensure that the resulting risk rating accurately reflects the customer's overall risk profile.

- Subject persons should ensure that information collected regarding a customer's occupation, business activities, SOW/SOF, and the purpose and intended nature of the business relationship is sufficiently detailed, adequately documented, and, where appropriate, corroborated through reliable supporting documentation. Customer profiling should not be treated as a procedural exercise but should enable subject persons to develop a comprehensive and demonstrable understanding of the customer's circumstances, financial position, and expected activity. Such understanding is essential to assess whether transactions and behaviours remain consistent with the customer's profile throughout the course of the business relationship.

- Effective ongoing monitoring requires more than the generation and review of alerts as a procedural or "tick-box" exercise and depends on the ability to translate customer knowledge into meaningful transaction scrutiny. Where activity is flagged for review, particularly where the activity involves significant amounts, unusual transactional behaviour, or other risk indicators requiring closer scrutiny, information obtained regarding the customer's profile, expected activity, and SOW/SOF should be actively utilised. Subject persons are expected to assess the specific

circumstances giving rise to the alert, consider whether additional information or supporting documentation is required, and document their conclusions in a clear and sufficiently detailed manner. Where transactions appear inconsistent with the information held, or where existing information is insufficient to explain the activity being undertaken, subject persons should take reasonable steps to obtain further clarification and corroboration to ensure that transactions are adequately understood and assessed in a risk-sensitive manner.

2 November 2026