



GOVERNMENT  
OF MALTA

# Malta Financial Services Oversight newsletter

June 2020



## Introduction

What a difference three months can make. Going into March, few European governments could have predicted that they would soon have to place their economy and society into an induced coma to cope with a deadly pandemic.

Malta has been no different, yet we have coped with the crisis admirably well. Our healthcare system has proved to be resilient in the face of COVID, our telecoms infrastructure has sustained our pivot to remote working, and our strong national balance sheet has enabled us to provide financial help for households and businesses. We are by no means complacent but I believe we will come out of this as strong as possible.

In this June edition of the Malta financial services newsletter, we would like to highlight how our financial institutions and regulators have continued to work hard to ensure we meet our international obligations, even in these less than ideal circumstances. Malta is committed to playing its part in the international fight against financial crime, pandemic or no pandemic.

So as we approach the half way point of 2020, what has been achieved so far this year?

To begin with, it is worth highlighting important changes in the way our key institutions are organised and led. Strengthening the rule of law in Malta is a priority for this Government and that is why we have overhauled the way in which the next Police Commissioner and their successors will be selected. This builds on the reforms implemented in 2019 including splitting the responsibilities of the Attorney General, which will help to improve and speed up prosecutions. Both these reforms fulfil recommendations by the Council of Europe's Venice Commission. And we are proposing further reforms to the way in which judicial appointments, including that of the Chief Justice, are made.

We have continued to beef up resources for our regulators to ensure they can fulfil their mission, providing budget for more headcount, training and IT investment. That investment is bearing fruit, with significantly more regulatory inspections executed and fines levied in 2019 compared with earlier years. We are particularly pleased that our IT investment enabled our regulators to seamlessly transition to a virtual footing during lockdown, continuing their programme of examinations by employing new, online data gathering tools, as well as levying fines and sustaining AML collaboration with international counterparts.

And we continue to support investment. For example, the FIAU is close to implementing its goAML platform, and will soon launch its new CBAR database of bank accounts held in Malta, both crucial tools in the fight against money laundering.

Much remains to be done, but we are confident that our ongoing investment, our commitment to reform and our ambitious legislative programme will continue to deliver returns, and help us sustain a world-class financial services industry that attracts international investors and serves Malta's needs.

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# Malta **launches ICOFT** to help counter Funding of Terrorism

Malta has launched The Inter-Agency Committee on Countering Funding of Terrorism (ICOFT) in response to the international threat of terrorism financing and following advice from Moneyval. ICOFT is made up of five members, including The Financial Intelligence Analysis Unit (FIAU), The Attorney General's Office, The Malta Police Force, The Department of Customs, The Malta Security Service.

The Committee will meet monthly to address three primary objectives. Firstly, to serve as a platform for the sharing of information on operational terrorism and terrorism financing, as well as to coordinate joint funding of counter-terrorism cases. Secondly, the Committee will also serve as a platform to exchange information on identified terrorism and funding of terrorism risks, typologies, and trends that each authority identifies through its streams of work.

The Committee will also provide a forum for the discussion of counter- terrorism funding policies and strategies, and to develop and propose policies and strategies to enhance the legal and operational regime for countering the funding of terrorism. The Committee held its inaugural meeting in June.

Further to these developments, the FIAU's role will be extended, enabling the Authority to deploy its beefed-up resources and capabilities by carrying out criminal investigations into money laundering.

## The **FIAU** rebrands as Authority takes on **new roles**

**Ensuring effective communication is crucial to the success of the FIAU. Stakeholders must be able to understand its mission, the resources it can deploy to help them, and also what is required of them.**

To that end the FIAU has launched a brand new website [fiuamalta.org](http://fiuamalta.org) together with fresh branding for the Authority. The new branding also reflects the FIAU's enhanced role, after it was recently given responsibility for implementing Malta's cash limitation policy as well as setting up and administering the centralised bank account registry. Further to these developments, the FIAU's role will be further extended, enabling the Authority to deploy its increased resources and capabilities by carrying out criminal investigations into money laundering.

The investment in digital communications will make it easier for users to source the information they need as well as provide the FIAU with the data it requires. It better explains the Authority's mission, how it works with other Maltese agencies and

organisations, and how it collaborates with international bodies in the fight against money laundering.

Alongside the new website, the FIAU has published its Annual Report for 2019, which outlines achievements against objectives, as well as priorities for the coming period. In 2019 the FIAU invested considerable time, effort and financial resources to bolster capabilities, adding personnel, overhauling procedures, increasing training. This investment is bearing fruit, with a meaningful increase in enforcement measures, inspections and STRs, as well as leading AML/CFT legislation to help Malta meet its international obligations.

The investment in digital communications and technology has proved to be prescient. During the COVID pandemic and lockdown, like other organisations, the FIAU has successfully pivoted to a 'virtual' offering. Throughout April and May, the FIAU enforcement teams continued to execute supervisory examinations and virtual visits to ensure that companies continued to meet their regulatory observations.



# FIAU on course to address all Moneyval recommendations in Annual Report 2019

The Financial Intelligence Analysis Unit has stated that it will have addressed all the recommendations in its purview put forward by Moneyval by September. In the Moneyval review, Malta received low effectiveness ratings in the area AML/CFT supervision and money laundering investigations. The confidence in meeting the recommendations is outlined in the FIAU Annual Report for 2019 which was published earlier this month.

The FIAU is already seeing the results of the changes implemented, for instance in faster response times, with the time for analysis of a case down from an average of around 300 days to an average of 104 days.

The report shows that the FIAU is also tackling more cases. It received a record 2,778 suspicious transaction reports (STRs) in 2019, a 65% increase on the 1,679 received in 2018. These STRs resulted in 2,446 cases, 57% more than in 2018, and a staggering 248% more than in 2017.

In addition, a further 35 cases were initiated by the FIAU on its own initiative after receiving information from elsewhere, generally from their foreign counterparts.

The report highlights the significant international exposure that the Maltese financial sector has and the improvement the FIAU has made in collaborating with foreign authorities. 86% of STRs received relate to foreign individuals or legal entities, and in 1,547 cases, the FIAU considered it appropriate to share intelligence with foreign FIUs for local investigation.

The FIAU sent 711 requests for information to 94 FIUs in 2019. This is a 41% increase on 2018. On the other hand, the requests for information received by the FIAU in 2019 amounted to 228 from 56 different countries. Of these, the FIAU replied to 73% of incoming requests within a week of receipt.

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Justice Minister  
**Edward Zammit Lewis:**

## Our reforming zeal strengthens Malta's institutions

**This month will mark an important milestone in the changes that Malta is making to strengthen our institutions and the rule of law.**

The process to select a new police commissioner has been completely overhauled in order to make it more transparent, democratic and accountable, thereby strengthening our institutional infrastructure. In doing so we are also meeting one of the recommendations made by the Venice Commission.

The new process is currently being put through its paces to choose the next head of our police force. This began with the Public Service Commission, a newly-established constitutional body composed of members nominated from both sides of the House, issuing a public call for applications back in April this year. Out of the 14 applicants, two were shortlisted by the Commission and referred to Cabinet for further consideration. Following debate, the Cabinet nominated Mr Angelo Gafa, current CEO of the police force, as the preferred candidate. Mr Gafa appeared for a public hearing before the Public Appointments Committee of the Maltese Parliament. During this hearing, MPs had the chance to interview the nominee for Police Commissioner.

The Public Appointments Committee had approved the nomination of the new Commissioner

It is with the same commitment to transparency, strong governance and democratic participation by the entire body politic that the Government is also proposing to overhaul the way the President of the Republic is chosen. Following a Cabinet decision, the next President of Malta will be approved by a vote in parliament requiring a two thirds majority. The new process will require a constitutional amendment and will come into effect ahead of the next presidential election in 2024

These two developments mark important changes to Malta's constitutional structure and system of government. Together they demonstrate the Government's commitment to strengthening our institutions and the rule of law, as well as meeting our international obligations. We look forward to working with all our stakeholders, across Malta's civil society, civil service and political parties, in order to implement further changes in due course.

## FIAU's **goAML system** goes live in boost for fight against financial crime

The FIAU has launched goAML, a software solution that will help the Authority make radical efficiencies in the way it captures, analyses and reports data and intelligence connected to cases of money laundering and financial terrorism.

STRs or Suspicious Transaction reports for example, can now be uploaded automatically when previously they had to be inputted manually, taking time and increasing the risk of errors. The new system also makes it easier for the FIAU to request information from national and international entities, and exchange data in return.

The system went live on the 22nd June 2020, after an exhaustive period of trials, testing and training that was sustained even through the period of lockdown. During this period and ahead of goAML's launch, the FIAU also carried out a trial with the banking sector, and completed a series of dedicated, virtual training sessions for relevant agencies and persons.

## MFSA implements **risk-based** **approach** to supervision

The MFSA has introduced a risk-based approach across all supervisory functions, as part of its commitment to improving accountability and transparency across financial services.

A risk-based approach places macro and micro prudential, conduct and financial crime risks at the centre of all MFSA activity. This means that the agency can allocate staff and resources more efficiently and effectively, directing attention to the firms posing the greatest risk to financial services, wider stakeholders and the general public.

The adoption of a judgement-based, forward-looking risk assessment framework enables the MFSA to identify and combat criminal practices including money laundering and financial terrorism. Demonstrating its commitment to holding itself to account, the MFSA has publicly released this framework, to increase transparency within both the industry and with the general public, and to highlight enhanced protection against financial crime.

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# Malta's Chamber of Advocates **increases awareness** of the profession on AML/CFT compliance

Established in 1877, the Chamber of Advocates is a voluntary, non-political, non-Governmental organisation representing the interests of over 800 registered lawyers in Malta.

Over the past few years one of the areas of significant work conducted by the Chamber, both in its lobbying functions and with its own members, has been to take a fresh look at the regulation of our profession. The need for statutory regulation of the profession in a balanced manner that reflects its needs in the 21st century has been an aim of the Chamber over the past ten years. These efforts have intensified in recent months following criticism levelled at the profession by the Moneyval report on Malta, which considered our profession a "significant risk" to our jurisdiction. That criticism has been motivated by two principal issues: (a) the absence of any fitness and properness criteria at the level of entry into the profession; and (b) the absence of a robust regulatory regime that regulates the profession on an on-going basis. These echo the very same observations that the Chamber raised some 10 years ago.

In this context, the Chamber has responded by intensifying its efforts to have the Legal Profession (Advocates) Regulation Act, already drafted, enacted. The law will specifically regulate the profession and aim to ensure that lawyers are competent and can demonstrate integrity by, for example, ensuring continuous professional development.

Dr Louis de Gabriele, Presidnet of the Malta Chamber of Advocates, stated that as part of our

efforts to directly and effectively address the criticism levelled at our profession, the Chamber has also intensified its efforts to increase its members' awareness and training specifically on AML/CFT requirements within the profession. Our strategy consists of three pillars:

## **Training:**

we have instituted a programme of courses aimed at addressing all pertinent aspects of AML/CFT compliance by lawyers including raising awareness about how the profession can be used by potential criminals. It is expected that these training courses will continue in the coming months and be repeated on an annual basis, with updates and revisions as required.

## **Co-operation with FIAU:**

we are collaborating with the FIAU to ensure members better understand how and when they can and should be increasing their efforts in detection and reporting; as well as to drafting regulations and guidelines for the profession.

## **Guidance and Support:**

we seek to provide guidance on an on-going basis to our members. This is particularly the case for smaller firms and sole practitioners who may not have the required set-up to meet compliance requirements. In this respect, for instance, the Chamber has invested in software and made arrangements with third party providers that can provide KYC checks for our members who may not have the necessary resources to make the required investment themselves.

Dr de Gabriele concluded by stating that it is our intention to continue our efforts in disseminating awareness of the importance of AML/CFT compliance amongst our members with a number of other initiatives over the coming months and to include continuous development education modules within training courses organised by the Chamber for the profession.





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Contributing Institutions

