



Interpretative Note on Section 4.9.2.1 of the Implementing Procedures Part I

The FIAU has revised **Section 4.9.2.1** of the Implementing Procedures Part I to clarify the measures that must be carried out with respect to business relationships with certain correspondent institutions.

Presently, subject persons are required to undertake a specific set of enhanced due diligence (EDD) measures with respect to correspondent relationships with non-EU Member State institutions. When it comes to correspondent relationships with institutions located in Malta or in another EU Member State, subject persons are still required to assess the money laundering or terrorism financing risk arising from that relationship. If the resulting risk is high, subject persons are to determine the EDD measures they must apply.

In virtue of this revision, it is being clarified that where the risk resulting from a correspondent relationship with a Malta or EU-based institution is high, the EDD measures to be carried out are those stipulated in Regulation 11(3) of the Prevention of Money Laundering and Funding of Terrorism Regulations. In other words, subject persons are to apply the same EDD measures as they would for correspondent relationships with non-EU based institutions.

The relevant text is reproduced below, with amendments tracked for ease of reference:

In the context of correspondent relationships, a CRA is important from a number of perspectives:

- (a) in relation to those correspondent relationships where the EDD measures to be applied are mandated by law, the CRA will allow the correspondent institution to calibrate the intensity and frequency of the EDD measures described above, including ongoing monitoring, as well as identify any additional risks that may require additional EDD measures to mitigate identified risks in an effective manner.
- (b) in relation to any other correspondent relationship that does not fall within the ambit of Regulation 11(3) of the PMLFTR, i.e. a correspondent relationship held with an institution located in Malta or in another EU Member State, the CRA will lead the subject person to understand the actual risk presented by that relationship. and, when the ML/FT risk identified is high, allow the correspondent institution to determine to apply the same EDD measures as those provided for under Regulation 11(3). ~~the EDD measures that should be applied – the~~ The subject person must therefore still determine if the correspondent relationship is a high-risk business relationship in the context of which EDD is applicable in terms of Regulation 11((1)(b) and, even though Regulation 11(3) may not be applicable thereto, apply the same mitigating measures provided for under the said Regulation 11(3).