



## Administrative Measure Publication Notice

This Notice is being published by the Financial Intelligence Analysis Unit (FIAU) in terms of Article 13C of the Prevention of Money Laundering Act (PMLA) and in accordance with the policies and procedures on the publication of AML/CFT measures established by the Board of Governors of the FIAU.

This Notice provides extracts from the FIAU's decision imposing the respective administrative measures and is not a reproduction of the actual decision.

**DATE OF IMPOSITION OF THE ADMINISTRATIVE MEASURE:**

16 December 2021

**SUBJECT PERSON:**

RGN Malta Limited

**RELEVANT FINANCIAL ACTIVITY CARRIED OUT:**

Corporate Services Provider

**SUPERVISORY ACTION:**

Targeted offsite compliance review carried out in 2021

**DETAILS OF THE ADMINISTRATIVE MEASURES IMPOSED:**

Administrative Penalty of €60,000

**LEGAL PROVISION BREACHED:**

Regulation 15(3) of the PMLFTR and Section 5.5 of the Implementing Procedures (IPs) Part I.

**REASONS LEADING TO THE IMPOSITION OF THE ADMINISTRATIVE MEASURES:**

Regulation 15(3) of the PMLFTR and Section 5.5 of the IPs Part I

During the compliance examination, it was noted that the Company was expected to submit suspicious reports in relation to customers demonstrating reasonable grounds for suspicion that the customer might be owned by another individual who was not listed as the beneficial owner. In addition, there was grounds to suspect that tax evasion was taking place. However, the Company had failed to do so. The Committee reviewed the findings and representations in relation to three customer relationships and concluded as follows on each of the findings.

Numerous red flags were presented in the activities of the customer company (company 1) in question:

- The customer's beneficial owner (BO) at first was the contact person for a company (individual 1) and subsequently another individual (individual person 2);
- The Company was not receiving any payment for its services to company 1 and this was since it was

- renting office space from the partner (individual 3) of individual 2; and
- A number of loan facility agreements and vessel transfer agreements were present. Furthermore, the way the transfers were structured, as well as the purpose of such a structure, posed questions as to the legitimacy of the funds being used. Moreover, it was also noted that the Company identified the source of wealth as being derived from individual 3 and that this same individual could be considered as the BO.

The Committee questioned the commercial rationale behind the non-payment of a rental fee since individual 3 was never a part of company 1. The Committee also noted that it was very evident that the Company was fully aware of the fact that individual 3 was the one who was funding all the transactions.

In view of these observations, the Committee concluded that the Company was presented with a situation where it had reasonable grounds to suspect that individual 3 was a beneficial owner in company 1. Furthermore, the Committee agreed that there were enough irregularities for the Company to have had reasonable grounds to suspect that the transactions were connected to ML and tax evasion. This therefore merited the filing of a suspicious report to the FIAU.

The Committee also took into consideration the findings and representations related to a second file. This file related to a company (company 4) whose BO was individual 2. A number of red flags were noted:

- It resulted that individual 2's SOW derived from individual 3. If individual 3 had not funded individual 2, the latter would not have had the financial means to incorporate and finance multiple companies which dealt with high value assets; and
- While acknowledging that individuals 2 and 3 enjoyed a personal relationship, the question arose as to why the sharing of one's wealth with a partner entailed numerous complex transactions.

The transactions which took place were anomalous and suspicious. Individual 3 was completely funding and controlling the company even though on paper the BO was listed as individual 2. Furthermore, the transactions were taking place in a manner that gave reasonable grounds for suspicion to arise that tax evasion was taking place. The Company was therefore obliged to submit a suspicious report to the FIAU.

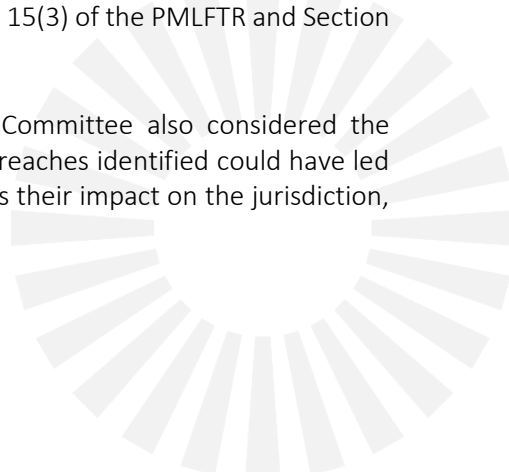
In addition, the Committee also considered the findings related to a third file. FIAU Officials informed the Committee that this file related to another company (company 5) whose BO was individual 3. The Committee noted that individual 3 was carrying out high value transactions through numerous loans and sales of properties through this company, including numerous assignments of debt that made no economic sense. This in turn gave rise to the suspicion of ML and tax evasion.

There were reasonable grounds to suspect that ML and tax evasion were taking place. Once again, this merited the filing of a suspicious report to the FIAU, and the Company yet again failed to do so.

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

The Committee decided to impose an administrative penalty of sixty thousand euro (€60,000) in view of the Company's failure to abide with its obligations in terms of Regulation 15(3) of the PMLFTR and Section 5.5 of the IPs Part I.

In deciding the amount of the administrative penalty imposed, the Committee also considered the importance and seriousness of the obligations breached, whether the breaches identified could have led to unintentional facilitation of ML/FT, the Company's operations vis-à-vis their impact on the jurisdiction,



the level of cooperation exhibited, together with the overall regard that the subject person has towards his AML/CFT obligations. The size and operations of the Company as a CSP were taken into consideration.

20 December 2021

