



Publication Notice: 2022 Risk Evaluation Questionnaire (REQ)

SUPERVISORY ACTION:

2022 Risk Evaluation Questionnaire

DETAILS OF THE ADMINISTRATIVE MEASURES IMPOSED

Administrative Penalties in terms of Regulation 21 of the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR) for failure to satisfy the requirements in terms of Regulation 19 of the PMLFTR and Section 5.12 of the Implementing Procedures Part I (IPs).

Data is being published in a combined form following an assessment of the administrative penalties imposed by the FIAU's Compliance Monitoring Committee (CMC or the Committee) on subject persons who failed to submit or otherwise submitted late, the 2022 REQ.

INTRODUCTION to 2022 REQ

In line with the requirements imposed by the European Union and other international bodies, the FIAU implements a risk-based supervisory strategy. This aims to effectively monitor and supervise all subject persons in accordance with the level of Money Laundering/Financial Terrorism (ML/FT) risks which they pose. In identifying these ML/FT risks, the FIAU considered various sources, including information provided by subject persons through the submission of the annual REQ; information provided by prudential regulators; information provided by the intelligence function of the FIAU; any material adverse information obtained through open sources; results from compliance examinations carried out; and results of the National Risk Assessment (NRA) and Supra National Risk Assessment (SNRA).

The information collected directly from subject persons through the REQ is invaluable for the FIAU to be able to effectively carry out risk-based supervision. This since it allows the FIAU to create a thorough subject person risk profile and aids in ensuring its resources are utilised in an effective manner. This with the aim of carrying out of supervisory actions that address the type of risks perceived.



SUCCESSFUL SUBMISSION OF THE 2022 REQ

In 2022, subject persons submitted circa 2,000 REQs through the FIAU’s Compliance and Supervision Platform for Assessing Risk (CASPAR) portal. Even though not all submissions were provided within the FIAU’s stipulated deadline, the submission rates by sector are outlined in Table 1 hereunder.

Sector	% of population that responded
Credit Institutions	100%
Financial Institutions	96%
Investments	97%
Insurance	98%
VFA Agents	100%
VFA Service Providers	100%
Remote Gaming	91%
Land-Based Casinos	100%
TCSPs (entities)	98%
TCSPs (individuals)	100%
Other DNFBPs (entities)	99%
Other DNFBPs (individuals)	97%

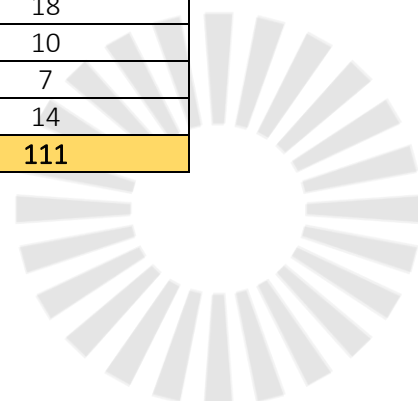
Table 1: REQ submissions (2022)

ADMINISTRATIVE PENALTIES

As per Regulation 19 of the PMLFTR, in fulfilment of its supervisory functions, the FIAU may require subject persons to submit periodical reports in relation to the measures and procedures they maintain and apply pursuant to Regulation 5 of the PMLFTR and any other information or documents as the FIAU may consider necessary. Failure to submit the 2022 REQ or submitting the REQ after the stipulated timeframes has led to **111** potential breaches being issued to subject persons as illustrated in Table 2 below.

Sector	Sector	Number of Subject Persons
Financial Sector	Credit Institutions	0
	Financial Institutions	6
	Insurance	2
	Investments	15
	VFA Agents	0
	VFA Service Providers	0
Gaming Sector	Land-Based Casinos	0
	Remote Gaming	23
Non-Financial Businesses and Professions (DNFBPs)	TCSPs	16
	Accountants, Auditors & Tax Advisors	18
	Advocates	10
	Notaries	7
	Real Estate Agents	14
Grand Total		111

Table 2: Potential Breaches Issued by Sector (2022)



Subject persons in receipt of the potential breaches letter were invited to submit representations (supported with any evidence as necessary) in relation to their failure to submit the REQ or submitting it after the stipulated deadline. Representations received were presented to the Committee for a final decision on the case. In the deliberations on each case when deciding on the amount of the administrative penalty to impose (where applicable), the Committee took into consideration: the representations made by the subject person, the nature and seriousness of the breach, the size of each subject person, whether this is the first time the subject persons failed to submit the REQ within the stipulated timeframe (repetitive element) as well as the extent of the delay in eventually submitting the REQ (where applicable). The Committee also considered circumstances wherein the subject person was not carrying out relevant activity, had its licence surrendered, terminated, or cancelled.

Following the evaluation of all cases and corresponding representations, the Committee decided to impose an administrative penalty on **thirty-nine (39) subject persons** amounting to **€104,600** for failing to adhere to Regulation 19 of the PMLFTR and Section 5.12 of the IPs. Table 3 illustrates the total number and value of administrative penalties imposed per Sector.

As can be noted the total count of administrative penalties imposed by the FIAU is lower than the number of potential breaches that had initially been issued. The reason for this difference is because, based on the specific information in relation to the case (including the representations submitted by the subject person) the Committee concluded that a number of subject persons were not in breach of their obligations.

Sector	Category	Number of Administrative Penalties Imposed			Value of Administrative Penalties (€)
		Non-Submitters	Late Submitters	Total	
Financial Sector	Credit Institutions	0	0	0	€0
	Financial Institutions	1	0	1	€2,850
	Insurance	0	0	0	€0
	Investments	1	2	3	€4,850
	VFA Agents	0	0	0	€0
	VFA Service Providers	0	0	0	€0
Gaming Sector	Land-Based Casinos	0	0	0	€0
	Remote Gaming	9	2	11	€45,900
Non-Financial Businesses and Professions (DNFBPs)	TCSPs	0	3	3	€2,500
	Accountants, Auditors & Tax Advisors	6	3	9	€15,300
	Advocates	0	0	0	€0
	Notaries	5	0	5	€15,900
	Real Estate Agents	6	1	7	€17,300
Grand Total		28	11	39	€104,600

Table 3: Number and Value of Administrative Penalties Issued

CONCLUSION

The FIAU will continue to carry out this exercise on a yearly basis and take administrative action against subject persons who fail to satisfy the Requirements of Regulation 19 of the PMLFTR, which are further detailed in Section 5.12 of the Implementing Procedures Part I. The Committee will also take into consideration the repetitive failure by Subject Persons to submit the REQ across the years for which the FIAU has requested this submission to be carried out.

Finally, the FIAU emphasises the importance of such data collection exercises. These are a critical source of information that is required by the FIAU to adequately implement its supervisory strategy for each subject person and for the sector. Hence, failure by subject persons to satisfy the requirements of Regulation 19 of the PMLFTR and Section 5.12 of the implementing Procedures Part I has a detrimental impact on the FIAU's ability to conduct a thorough and comprehensive risk assessment.

Further guidance to subject persons in relation to the yearly REQ exercise can be found on: <https://fiaumalta.org/news/faq-risk-evaluation-questionnaire/>

19 April 2023

