

## WHY DOES THE FIAU CARRY OUT AML/CFT SUPERVISION?

Services offered by subject persons can be attractive to criminals, who may exploit them to launder money or finance terrorism. When subject persons do not put in place adequate measures, criminals may find this easier. The Financial Intelligence Analysis Unit (FIAU) is the sole regulator of anti-money laundering/combating the funding of terrorism (AML/CFT). Therefore, it is committed to supporting subject persons in the understanding and implementation of their AML/CFT obligations. Furthermore, it is important that subject persons understand the risks of money laundering and funding of terrorism (ML/FT) that their business may present. This empowers subject persons to understand which measures should be implemented to build a robust AML/CFT control framework to mitigate the identified risks.



## THE FIAU'S SUPERVISORY APPROACH

The FIAU carries out its supervisory responsibility through the Supervision Section. The FIAU adopts a risk-based approach to AML/CFT supervision, which is based on information received by subject persons through the submission of the annual "Risk Evaluation Questionnaire", as well as from information received from other sources, including but not limited to other supervisory authorities. Its aim is to support the formulation of a supervisory plan, which includes supervisory interventions balanced between different sectors, to ensure that each sector is adequately supervised in accordance with the results of the risk assessment. As shown below, the types of supervisory interventions vary.

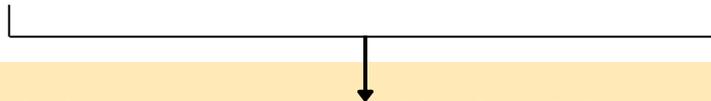
## TYPES OF SUPERVISORY INTERVENTIONS

### ON-SITE EXAMINATIONS

On-site examinations are assessments carried out at the subject person's premises (parts of the assessments may also be carried out remotely).

### DESK-BASED REVIEWS

Off-site examinations involve the process of reviewing information and documentation provided by the subject person, on a remote basis.



### FULL-SCOPE EXAMINATIONS

Full-scope examinations cover the entire spectrum of risks and activities of subject persons from an AML/CFT perspective, producing a holistic view of their AML/CFT control framework at a given point in time.

### FOLLOW-UP EXAMINATIONS

Follow-up examinations aim to assess the subject person's progress in implementing remedial actions or corrective measures prescribed by the FIAU further to a previous examination.

### THEMATIC EXAMINATIONS

Thematic examinations are similar to targeted examinations as they focus on particular aspects (types of products, transactions, etc.) in respect of a group of peers/peer institutions, examining relevant themes which generate meaningful comparisons.

### TARGETED EXAMINATIONS

Unlike full-scope examinations, targeted examinations are carried out with the aim of reviewing specific aspects of a subject person's AML/CFT control framework (for example, transaction monitoring procedures).

## SUPERVISORY MEETINGS

The purpose of these meetings is to maintain an understanding of the assessed subject person's risk. The meetings are intended to assess the design of controls in place and include limited testing with respect to their practical implementation and effectiveness.



## **THE SUPERVISORY EXAMINATION PROCESS: WHAT TO EXPECT FROM THE SUPERVISOR AND WHAT IS EXPECTED FROM A SUBJECT PERSON?**

### **COLLABORATION**

If a subject person is selected for a supervisory examination, the FIAU expects the subject person to collaborate throughout the process. As part of the process, the FIAU notifies the subject person about the examination and establishes a single point of contact (i.e., the Money Laundering Reporting Officer (MLRO)) for the exchange of information during the examination. The reviewer may also need to speak to other employees as part of the process.

### **CONTRIBUTION**

Prior to starting an examination, the reviewer will request a list of documents to be reviewed, including the customer list and any other AML/CFT related documentation. Other information and documentation is requested during the examination, allowing the subject person to demonstrate compliance with AML/CFT obligations. Documents should be sent electronically via a secure channel as guided by the reviewer. It is important that the documents requested are made available to the reviewer in a timely manner for the examination to be carried out efficiently. Examinations include sampling of customers serviced and transactions processed.

### **FEEDBACK AND COMMITMENT**

Following the examination, the FIAU submits a report to the subject person detailing whether the subject person is compliant with AML/CFT obligations, and the remedial action which should be taken, to become compliant, when necessary. In the latter case, the subject person is expected to demonstrate commitment to implementing the remedial action within the timeframe stipulated by the FIAU. Where required, support from the FIAU is provided to the subject person during this process. If the subject person fails to implement the required remedial action or to cooperate during the examination process, enforcement action may be taken by the FIAU. Furthermore, examinations which reveal serious non-compliance with AML/CFT obligations, may also lead to enforcement action by the FIAU.

## **THE AML/CFT SUPERVISORY PLAN FOR THE PERIOD JULY 2023 TO JUNE 2024**

The supervisory plan below details the supervisory work that the FIAU plans to carry out during the annual supervisory cycle commencing in July 2023 in respect of the different sectors. Article 27(3)(b) of the Prevention of Money Laundering Act (PMLA) also permits the FIAU to request other supervisory authorities to carry out compliance examinations on behalf of, or jointly with, the FIAU. Therefore, some supervisory examinations will be carried out by the Malta Financial Services Authority (MFSA) and the Malta Gaming Authority (MGA), on behalf of, or jointly with the FIAU. The FIAU has grouped its supervisory work into different focus areas, with the aim of better understanding risk in different sectors, assessing the level of compliance with AML/CFT obligations in each focus area and guiding subject persons to address gaps identified. Other supervisory interventions not included hereunder may also take place during the supervisory cycle, if the FIAU is in receipt of material risk data during the year.



TOPIC	SECTOR	TYPE OF SUPERVISORY INTERVENTION
Adherence to the rules on the information on payers and payees which must accompany transfers of funds to help prevent, detect, and investigate ML/FT (Regulation (EU) 2015/847 and Regulation 7(10) of the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR))	Credit and Financial institutions	Thematic Examinations
ML/FT risk awareness in the pensions sector (Regulation 5(1) of the PMLFTR) and understanding the source of wealth/funds to finance pensions schemes (Regulations 7(1)(c) and 7(2)(a) of the PMLFTR)	Subject persons/Institutions licensed under the Retirement Pensions Act	Thematic Examinations
Establishing the customer's business and risk profile and the scrutiny of transactions undertaken throughout the course of a business relationship (Regulations 7(1)(c) and 7(2)(a) of the PMLFTR)	Financial Institutions, Long-Term Insurance Sector, Investment Service Providers, VASPs	Targeted Examinations
The application of simplified due diligence by Collective Investment Schemes (Regulation 10 of the PMLFTR)	Collective Investment Schemes	Thematic Examinations
The application of enhanced due diligence by Remote Gaming Operators (Regulation 11 of the PMLFTR)	Remote Gaming Operators	Targeted Examinations
Adherence with beneficial ownership obligations (Regulations 7(1)(a) and 7(1)(b) of the PMLFTR) and the scrutiny of transactions undertaken throughout the course of a business relationship (Regulation 7(2)(a) of the PMLFTR)	Persons authorised under the Trusts and Trustees Act	Targeted Examinations
The scrutiny of transactions undertaken throughout the course of a business relationship to ensure that transactions undertaken are consistent with the subject person's knowledge of the customer and of his business and risk profile (Regulation 7(2)(a) of the PMLFTR)	CSPs providing directorship services	Targeted Examinations
Adherence with beneficial ownership obligations (Regulations 7(1)(a) and 7(1)(b) of the PMLFTR)	Auditors, Accountants and CSPs	Targeted Examinations
Assessing the adequacy of the design of AML/CFT related controls	Collective Investment Schemes, Notaries and Real Estate Agents	Supervisory Meetings
Assessment of the adequacy of remedial action plans implemented by subject persons as directed by the FIAU	All sectors	Follow-up examinations, desk-based reviews, or supervisory meetings

#### CONTACT US

Subject persons are guided to contact the Supervision Section by email at [compliance@fiaumalta.org](mailto:compliance@fiaumalta.org) should they have any queries regarding the supervisory process.