First Line of Defence

MGA Licensing & MLRO Key Function Requirements

Topics

- Fit & Proper
- Due Diligence Process
- Common issues
- Best Practices
- Key Functions/Directors Approval Process

What is the role of Authorisations within the MGA?

Our core responsibility is to assess the eligibility and credibility of individuals and entities seeking to obtain an MGA licence.

We ensure that only those who are deemed fit & proper are granted a licence.

How is ‘Fit and Proper’ defined?

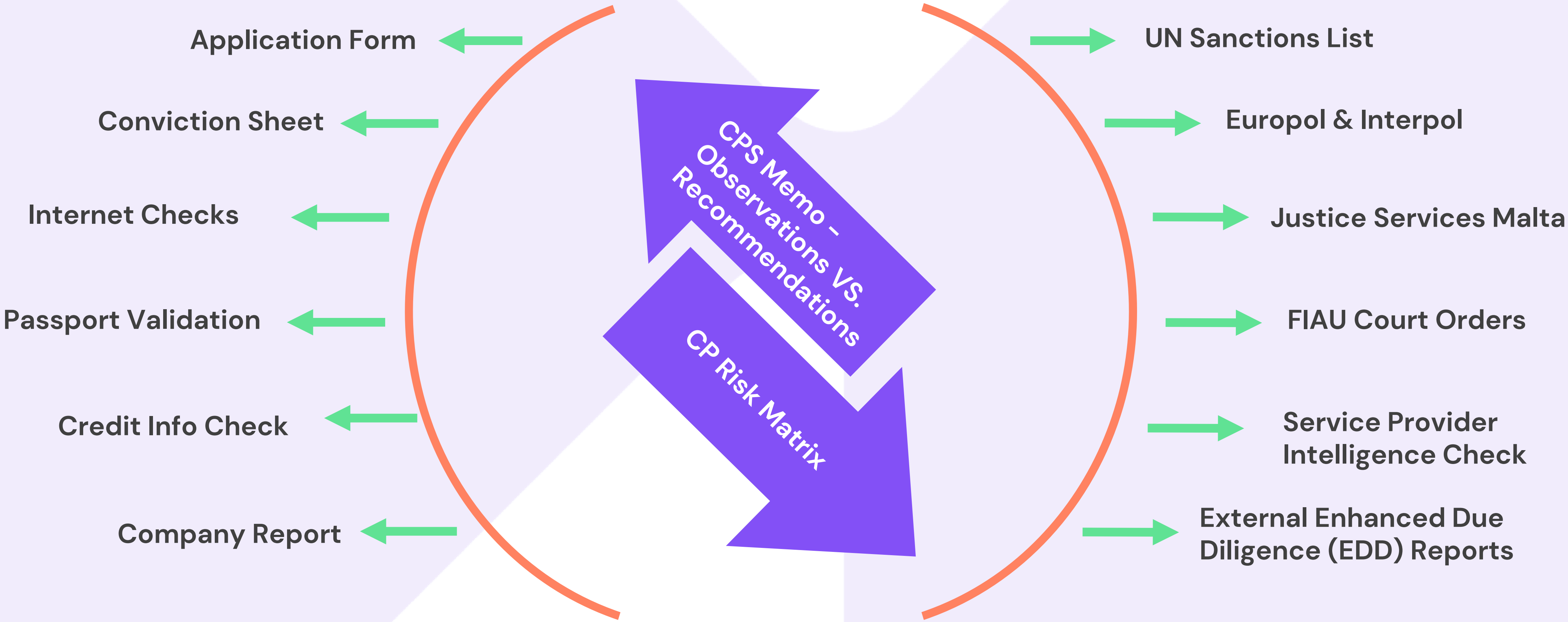
To be considered ‘fit and proper’, an individual or entity must meet specific criteria related to their integrity, competence and financial standing.

The carrying out of proper due diligence procedures is a fundamental step in ensuring that gaming operators are fit and proper when granted a licence and to ensure that such operations are not used as a façade for money laundering or terrorist financing.

Criminal Probity Screening

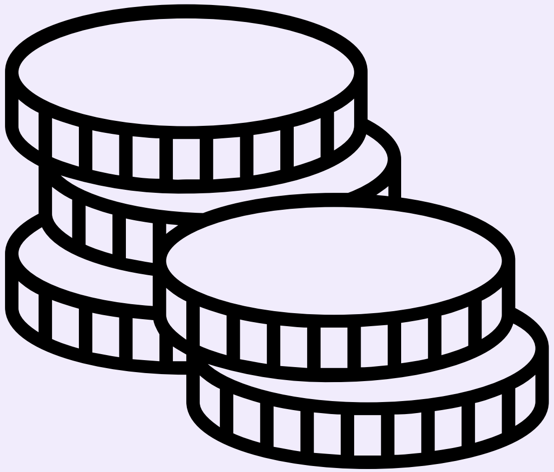
- This refers to the process of thoroughly checking an individual's or entity's background and history to assess their good standing.
- This screening determines whether the person or entity meets the required standards of integrity, honesty, and reputation.

Criminal Probity Screening Checks



Funding Review

The Authority assesses the Source of Funds of the applicant and the source and extent of the wealth of its Ultimate Beneficial Owners (UBOs).



Assessing the Source of Wealth & Funds includes:

i. Confirming that UBOs are fiscally stable to sustain the licence during its life cycle; and

ii. Verifying that the sources are legitimate.

Source of Wealth

Accurate information is paramount when providing UBOs’ Source of Wealth (SoW) and Statement of Affairs (SoA) to the Authority.

This transparency is vital for maintaining the integrity of the industry and safeguarding against money laundering, fraud, and other illicit activities.

Accurate disclosures enable us to assess an applicant’s financial stability and the legitimacy of the funds.

Common Issues in SoW and SoA reviews

Inconsistencies

Discrepancies or inconsistencies in the information provided, such as conflicting financial data or unexplained changes in asset values.

Missing Information

Important details may be omitted from the SoW or SoA, making it difficult to assess a person's financial situation accurately.

Unexplained Wealth

Sudden increases in wealth without a clear source or explanation which raise suspicions about money laundering or illegal activities.

Lack of Documentation

Inadequate supporting documentation for the information provided in the SoW and SoA.

Impacts of SoW and SoA issues on application outcomes

Longer and more complex application review process.

In some cases, particularly when there are serious concerns about the legitimacy of the applicant’s financial information, the application may even be rejected.

Best Practices

Ensure that all your financial information is well-documented and organised. Maintain records of your income, assets and liabilities. Having clear and detailed documentation can streamline the review process

Double-check all the information you provide in your SoW and SoA for accuracy and consistency. Even minor discrepancies can raise concerns.

If you have any significant changes in your financial situation, be transparent about them in your application. Explain the sources of any new income or wealth, even if they seem obvious to you.

Start preparing your SoW and SoA well in advance of your application. Rushing through this process can lead to errors and omissions.

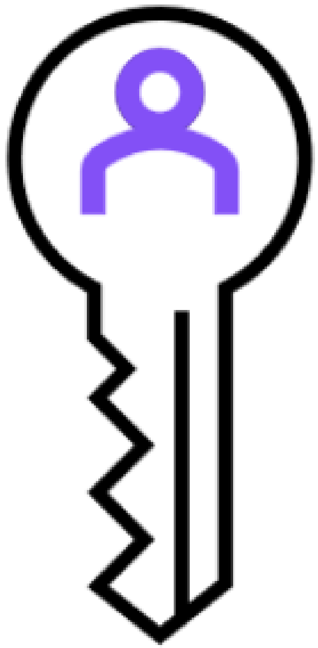
Remember that a meticulous and transparent approach to your financial disclosures can help you avoid unnecessary delays and potential application rejections.

Key Functions Approval Process

Key Functions

The Licensee Applicant/ Licensee is required to designate the persons responsible for carrying out the Key Functions. A key function is an important function, role or task that is carried out by a person in connection with a gaming service or a gaming supply.

In accordance with the Gaming Authorisations Regulations, persons who provide a key service need to apply for a Key Function certificate and are, in turn, required to undergo scrutiny, for the Authority to assess their fitness and propriety.



List of Key Functions

- Chief executive
- Prevention of money laundering and the financing of terrorism
- Compliance with the obligations of the licensee
- Legal affairs
- Data protection and privacy
- Management of the day-to-day gaming operations
- Technological affairs
- Internal audit

Application Process (1)

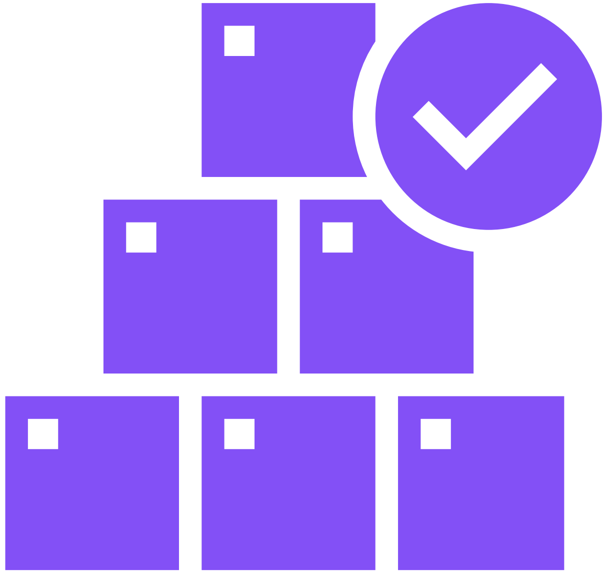
The person occupying the Key Function needs to satisfy the below 3 requirements:

Satisfies the fitness and propriety criteria of the Authority.

Is prima facie competent to perform the Key Function.

Is committed to be readily available to the Authority for any information that is needed to be timely submitted.

Application Process (2)



Applicant needs to submit a completed Personal Declaration Form through the LRMS (*portal.mga.org.mt*), including the relevant application fee.

The applicant needs to **specify the Key Roles being applied for**, **as well as the associated Licensee/s.**

The Licensee needs to approve the ‘Request for Involvement Approval’ application, which is created automatically on the Company Portfolio’s timeline, or the *Involvements* tab in the *Gaming Licence* application form in the case of Licence applicants.

Application Process (3)

Some of the documents that are required in the Enclosures section:

- Certified true copy of the Birth Certificate
- Certified true copy of the Passport / ID Card
- Copy of a recent Police Conduct

Additional Documents required for MLRO Applicants:

- MLRO Eligibility Form
- Evidence of the FIAU Caspar Registration

Note: Documents need to be certified in line with the Authority's Certification Policy, prior to uploading.

Key AML/CFT - MLRO

MLRO Eligibility Criteria

- Minimum of two (2) years of working experience as a money laundering reporting officer or similar senior and/or a related managerial role and must be in possession of a related bachelor’s degree or money laundering specific qualification.

(or)

- Has four (4) years working experience as a money laundering reporting officer or similar senior and/or related managerial role.

MLRO Eligibility Form

I, **(Insert Name and Surname)**, holder of **(Insert Issuing Country)** Identity Card/Passport Number **(Insert ID Card/Passport No.)** and residing at **(Insert Residential Address)** solemnly declare that:

I have personally completed this MLRO Eligibility Form and I confirm my understanding that it is a criminal offence against the Gaming Act (Cap. 583 of the Laws of Malta) to knowingly make a false, misleading or otherwise incomplete declaration or statement or otherwise knowingly give false, misleading or otherwise incomplete information to the Authority.

I hereby confirm, after having read and understood the requirements under Regulation 15 of the Prevention of Money Laundering and Funding of Terrorism Regulations, S.L 373.01 of the Laws of Malta [the 'PMLFTR'] and Chapter 5 of both the Implementing Procedures Part I and the Implementing Procedures Part II of the Remote Gaming Sector, that I am eligible to hold the Money Laundering Reporting Officer [the 'MLRO'] role with **(Insert Name of the Company)** [the 'Company'], bearing registration number **(Insert Company Registration Number)**, for the following reasons:

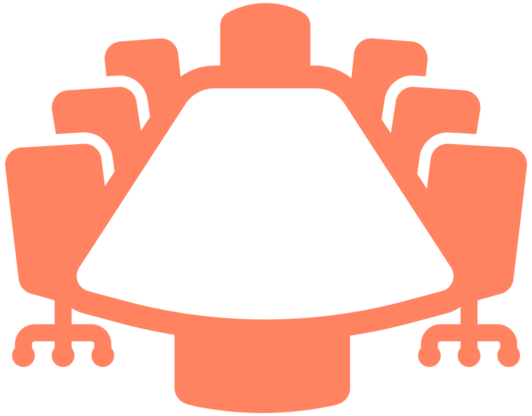
- I am directly employed with and/or am an executive director of the Company or any one of the companies within the corporate group licence *(Please tick if applicable)*; or, ☐
- I am employed with an entity which forms part of the group[2] to which the Company belongs, which entity is also a subject person under the PMLFTR or bound by equivalent AML/CFT regulations or has been set up by the group company specifically to offer intra-group services to companies within the group to fulfil their AML/CFT obligations *(Please tick if applicable)*. ☐
- I am in a senior position and empowered to act independently of management in fulfilling and exercising my duties; ☐
- I do not undertake any functions which could be deemed conflicting with my role as MLRO, including but not limited to data protection or internal audit-related functions; ☐
- I do not have any actual or potential conflicts of interest with my duties and functions of MLRO[3]; and, ☐
- I do not solely occupy the position of company secretary within the Company. ☐

Key AML – Conflict of Interest and Compatibility

- A number of roles are considered to be incompatible with one another by their very nature and, as such a given individual will not be authorised to fulfil such conflicting roles simultaneously.

- The Key AML role is deemed to be conflicting with the CEO, Data Protection and Internal Audit Roles.

- Furthermore, ultimate beneficial owners shall also be precluded from taking on any Key AML roles.



Submission of Personal Declaration Form

Licensee approves the “Request for Approval Involvement Form”

Authority reviews application

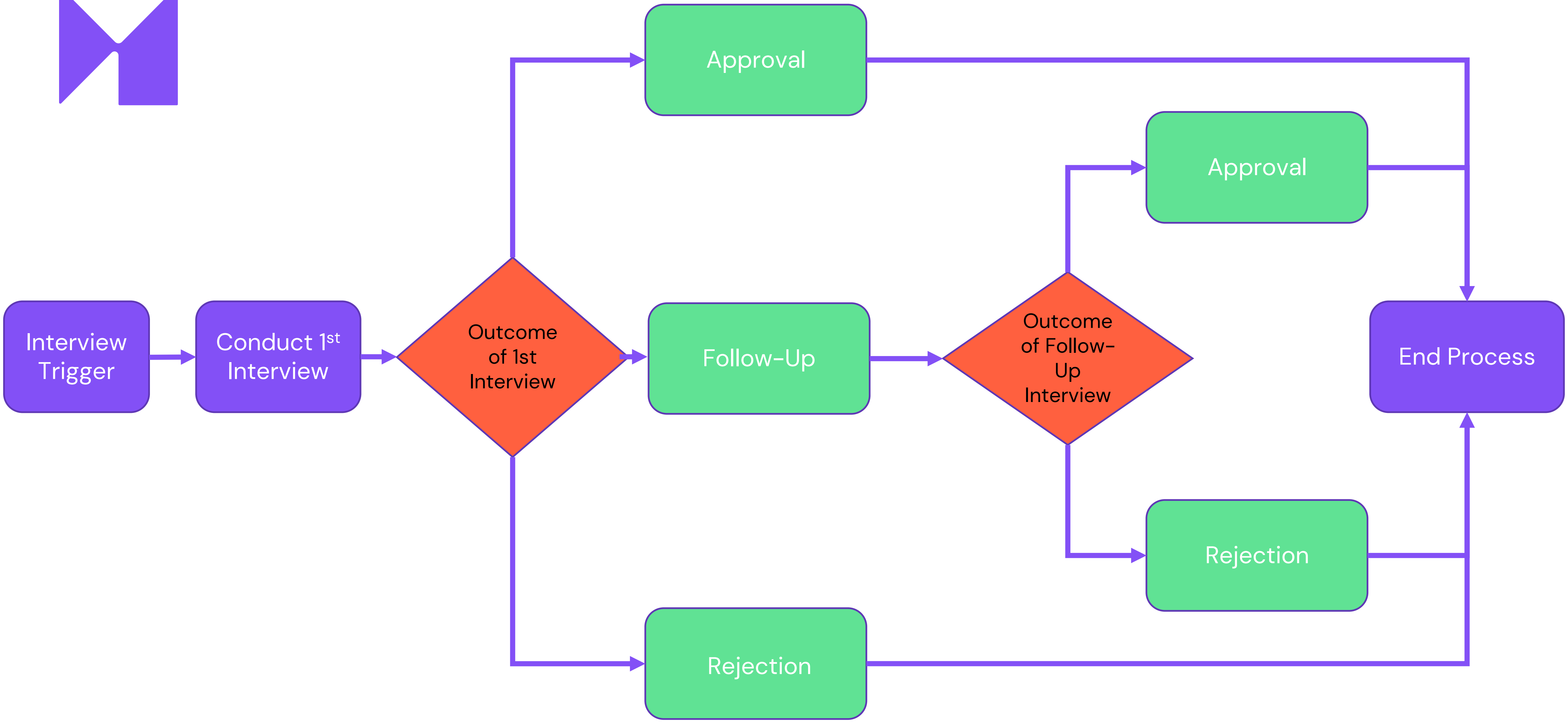
Applicant is subject to an MLRO interview

Key Function Certificate issued, valid for 3 years

Scope and Objectives of MLRO Interviews

The AML Unit is then responsible for conducting an interview for all applicant MLROs, the objective of which is to, amongst others:

- Assess the Applicant's level of knowledge and understanding of the AML/CFT Regulations, particularly within the gaming sector;
- Determine whether the Applicant has a clear understanding of the MLRO role and obligations in accordance with the Regulations;
- Ascertain if s/he is able to apply such knowledge of Regulations to the AML operations of the Subject Person; and
- Evaluate their overall ability to conduct their duties as an MLRO effectively.


Interview Trigger
Conduct 1st Interview
Outcome of 1st Interview
Approval
Follow-Up
Rejection
Outcome of Follow-Up Interview
Approval
Rejection
End Process

Interview Topics

Knowledge of the Maltese AML/CFT Legal framework

Risk Based Approach

Customer Due Diligence

Record Keeping

Sanctions & Politically Exposed Persons

Core functions of an MLRO / Reporting Obligations

Common Shortfalls

1. Insufficient knowledge of the Maltese AML/CFT Legislation, particularly on the FIAU Implementing Procedures Part I / Part II;
2. Inadequate understanding of sector-specific risk factors and typologies;
3. Lack of knowledge of the core functions of the MLRO;
4. Lack of understanding of the risk based approach; and
5. Lack of awareness on the timing of CDD Measures.

MGA

Thank you

mga.org.mt