



The FIAU's Remote Gaming Thematic Review - Key Findings

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AGENDA

- 1) Introduction
- 2) Scope
- 3) Timelines
- 4) Methodology
- 5) Review Procedure
- 6) Data Consolidation
- 7) Key Findings



Scope

Assess the general knowledge, the training and awareness of the MLROs, and any employees involved in the compliance monitoring function.

Regulatory Understanding

Interviewees' regulatory understanding was assessed through questions relating to Maltese AML/CFT legislation and guidance.

Practical Understanding

Interviewees were assessed on their practical understanding, that is, how AML/CFT obligations were implemented in practice by the licensee.

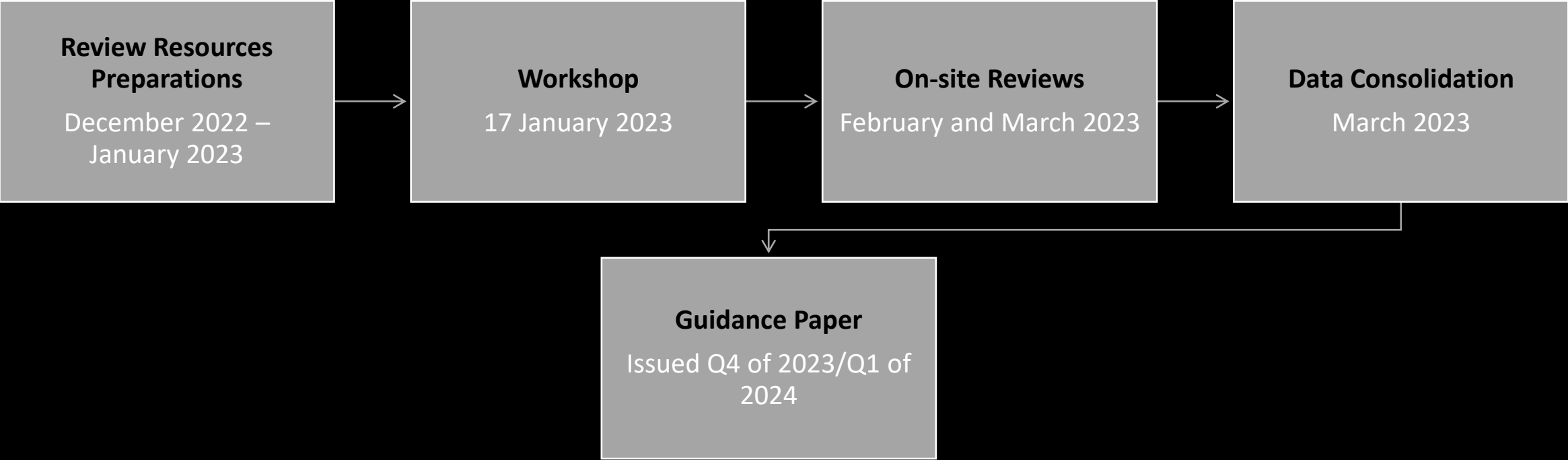


Topic 1	Background and experience, general knowledge, awareness of AML/CFT legislation, guidance
Topic 2	The risk-based approach
Topic 3	Customer due diligence
Topic 4	Application, extent and timing of CDD
Topic 5	Politically exposed persons
Topic 6	Inability to complete CDD
Topic 7	Outsourcing
Topic 8	Reporting obligations
Topic 9	Training
Topic 10	Record-keeping

Topics Covered



Timeline





Methodology

Sample selection – no outsourcing, or as little as possible.

Conducted a total of 23 thematic reviews on Remote Gaming Operators.

Interviewed a total of 73 individuals.

There was no customer file analysis.

No reports were issued, but a Guidance Paper will be issued.



Methodology – Review Procedure

7

1

Call Subject Person

2

Send Notification
Letter &
Authorisation Letter

3

Review
documentation
received from SP

4

Select individuals
who will be
interviewed and
communicate such
to SP in order to
determine dates of
interviews

5

Conduct interviews
according to the
standard working
paper provided

6

Issue a formal
closing letter

7

Consolidate data
and pass it on to
FIAU Risk

8

Guidance Paper to
be issued



Data Consolidation

Risk Team created a scoring sheet.

The scoring sheet included all the questions asked during the interviews.

Questions required a yes or no answer, or a list of items.

A correct answer got 1 score; an incorrect answer got no score.

Example:

Final Weightings: 40% MLROs, 40% Management, 30% other AML Officers.

KEY FINDINGS: THEMATIC REVIEWS ON GAMING OPERATORS

KNOWLEDGE, AWARENESS AND
TRAINING

Michael Gatt – Senior Associate - Supervision (Risk)

29 SEPTEMBER 2023

Topics covered

- 1 Background, experience and general knowledge/awareness of AML/CFT legislation/guidance
- 2 The risk-based approach
- 3 Customer due diligence
- 4 Application, extent and timing of CDD
- 5 Politically exposed persons
- 6 Inability to complete CDD
- 7 Outsourcing
- 8 Reporting obligations
- 9 Training
- 10 Record-keeping

Topic 1:

Background, experience and general knowledge/awareness of AML/CFT legislation/guidance



Topic 1: Background, experience and general knowledge/awareness of AML/CFT legislation/guidance

Section 5.1.2 of the IPs Part I

While having a dedicated MLRO function is ideal, it is recognised that this may not always be possible, and situations will arise where the officer or employee acting as MLRO will also have additional functions and/or duties within the subject person.

Section 5.2 of the IPs Part I

When an employee is acting as the MLRO for two or more subject persons, it has to be ensured that these multiple appointments still allow the MLRO to fulfil their functions in an effective manner. Moreover, the person fulfilling MLRO duties has to be mindful of any ensuing conflicts of interest and/or confidentiality obligations.



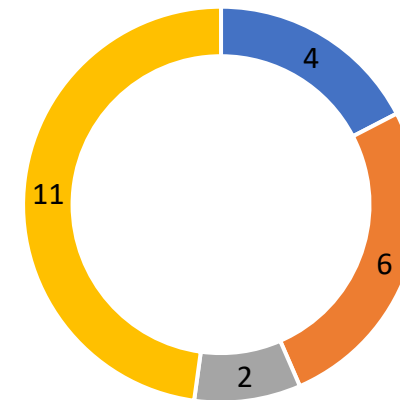
On average, MLROs interviewed had between 3 to 5 years of AML/CFT related work experience

14 MLROs had other roles within the company



22 MLROs were employed on a full-time basis within the company, whilst one was employed on a part-time basis (also acting as an MLRO of another gaming operator on a part-time basis)

Total number of hours dedicated to the role of MLRO



■ 1 - 10 hrs ■ 11 - 20 hrs ■ 21 - 30 hrs ■ 31 - 40 hrs



Topic 1: Background, experience and general knowledge/awareness of AML/CFT legislation/guidance

Section 7.3 of the IPs Part I

Employees should be made aware of the following legislative instruments and other binding guidance:

- (a) The provisions of the PMLA;
- (b) The provisions of the PMLFTR;
- (c) The provisions of the Criminal Code concerning the funding of terrorism;
- (d) Relevant data protection laws, rules and guidance;
- (e) The FIAU Implementing Procedures, other guidance and/or interpretative notes issued by the FIAU; and
- (f) The applicable offences and penalties resulting from breaches of all the above.

The PMLA

- Although 78% of MLROs and 62% of other relevant compliance employees are aware of the existence of the PMLA, only 28% were aware of the main purpose of the PMLA.
- 24% are aware of the criminal offences associated with the breaches of the provisions of the PMLA.

The PMLFTR

- 83% of MLROs and 58% of other relevant compliance employees are aware of the PMLFTR and its purposes.
- 49% were aware of the administrative penalties under the PMLFTR.
- 45% are aware of the criminal offences associated with breaches of the provisions of the PMLFTR.

Sub-Title IV of the Criminal Code

- 43% of MLROs and 40% of other relevant compliance employees are aware of the Criminal Code.
- Only 19% of interviewees were aware that the Criminal Code contains provision related to the funding of terrorism.

The FIAU Implementing Procedures

- 71% of interviewees were able to provide a summary of the IPs Part I.
- 63% were able to provide a summary of the IPs Part II.

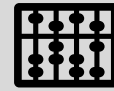


Topic 1: Background, experience and general knowledge/awareness of AML/CFT legislation/guidance

Findings



Gaming operators should ensure that the MLROs they employ do not hold other roles which may give rise to potential conflict of interest. Additionally, MLROs should have the capacity to commit enough time to fulfil their role effectively.



The purpose of IPs Part I is to help subject persons understand and meet their obligations under the PMLFTR, ensuring effective implementation of its provisions. Additionally, IPs Part II for the Remote Gaming Sector aims to provide industry-specific clarity on certain aspects of the PMLFTR to ensure consistent interpretation and understanding among licensees, even if not all provisions are directly relevant to employees' specific responsibilities in AML/CFT duties, emphasising the importance of employees being aware of the IPs.



Gaming operators should assess their operational needs and appoint designated employees, approved by the MLRO, to assist and potentially fill in for the MLRO when handling a high volume of internal reports or in their absence.

Topic 5:

Politically Exposed Persons



Topic 5: Politically Exposed Persons (“PEPs”)

Regulation 11(5) of the PMLFTR and Section 4.9.2.2 of the IPs Part I

Subject persons should have appropriate AML/CFT risk management procedures in place that enable them to determine whether a customer and/or a beneficial owner is a PEP and, subsequently, to carry out EDD measures both when establishing or continuing business relationships with or undertaking occasional transactions for a PEP.

Section 4.9.2.2 of the IPs Part I and Section 3.4 of the IPs Part II

The methods that subject persons should consider in determining a customer’s PEP status consist of the following:

- i. Relying on publicly available information, including internet and media searches; or
- ii. Obtaining the information directly from the customer or beneficial owner; or
- iii. Utilising commercial databases



53%

of interviewees were aware that gathering information directly from the customer or by using reliable electronic databases and internet are acceptable for determining whether a customer is considered a PEP.



Topic 5: Politically Exposed Persons (“PEPs”)

Section 3.4 of the IPs Part II

Subject persons should apply the following pre-established measures:

- i. Obtaining senior management approval to service the PEP;
- ii. Establishing their source of wealth, and where applicable, their source of funds; and
- iii. Conducting enhanced on-going monitoring of the customer’s activity

Section 3.4 of the IPs Part II

Screening of PEP status has to be carried out regularly, but it is important that this is done within thirty days of the €2,000 threshold being met, even when the subject person may have already screened customers to determine if they were PEPs at registration or during the course of the business relationship.



32%

of interviewees had knowledge regarding the necessary actions to be taken once a person has been identified as a PEP.

29% of interviewees were aware of the correct PEP screening timeline.

37% were aware that it should be carried out upon the €2,000 threshold being met but did not refer to the 30-day window.

The remaining 34% were unaware of the timing of PEP screening.

Topic 7:

Outsourcing



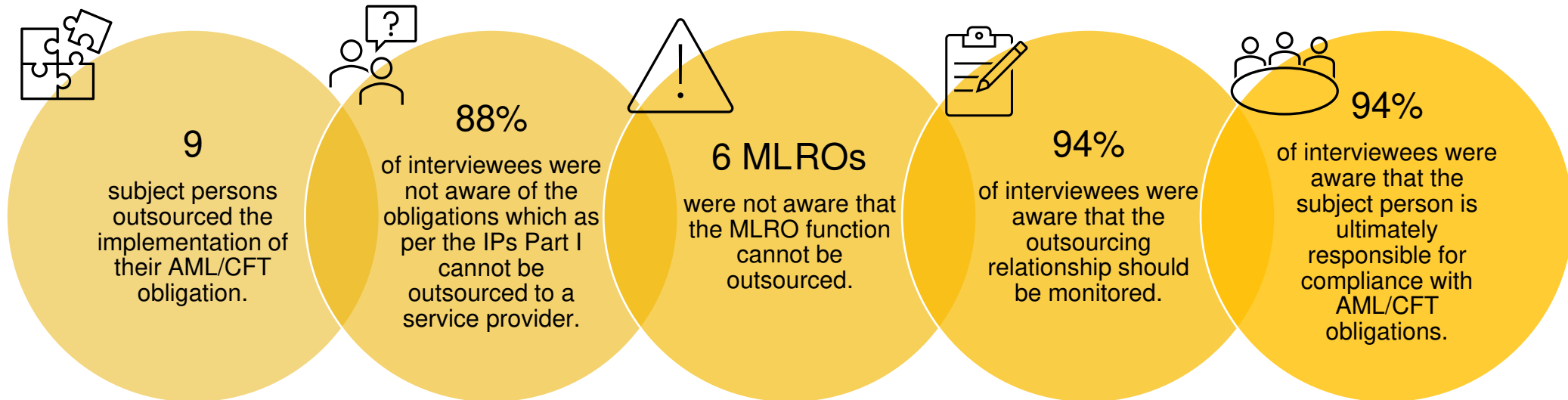
Topic 7: Outsourcing

Section 6.3 of the IPs Part I

A subject person may outsource certain AML/CFT obligations to another person. The obligations that may be outsourced, whether in whole or in part, relate to:

- i. The implementation of risk assessment procedures;
- ii. The implementation of CDD procedures; and
- iii. The implementation of record keeping obligations

The subject person will remain responsible at all times for all other obligations in terms of the PMLFTR and the IPs, including, without limitation, the acceptance or otherwise of a customer, the termination of a business relationship, the undertaking of an occasional transaction, etc.





Topic 7: Outsourcing

Findings



During the interviews, it was prominent that interviewees were not aware that certain functions cannot be outsourced.



The interviewees were not always aware of the exact activities that are deemed outsourced activities as per the IPs Part I, with some stating Transaction Monitoring, Sanctions/Adverse Media/PEP tools and external auditors as examples.



Some interviewees did not know of their own Company's outsourcing agreements and/or arrangements.

These issues highlight a lack of awareness among certain AML/CFT staff within the subject person's regarding their outsourcing obligations and the delineation of what can or cannot be outsourced. It is important the employees are made aware of the outsourcing obligations covered in Chapter 6 of the IPs Part I and 4.3 of the IPs Part II.

Topic 9:

Training



Topic 9: Training

Section 7.1 of the IPs Part I

- Every subject person is required to take appropriate and proportionate measures from time to time to:
- ensure that employees are aware of relevant AML/CFT legislation and data protection requirements, as well as of the subject person's AML/CFT measures, policies, controls and procedures; and
 - provide training in relation to the recognition and handling of operations and transactions that may be related to proceeds of criminal activity, money laundering or the funding of terrorism.

Section 7.2 of the IPs Part I

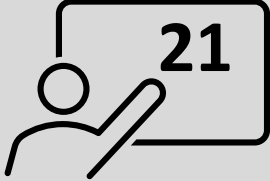
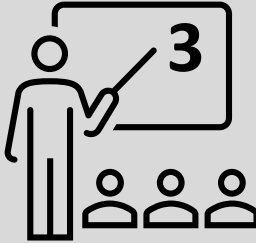
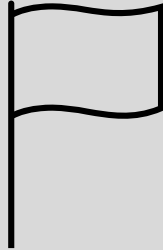

Awareness and training should be provided to employees and other company officials whose duties include the handling of either relevant financial business or relevant activity, irrespective of their level of seniority.

This includes:

- (a) directors;
- (b) senior management;
- (c) the MLRO and designated employee(s)
- (d) compliance staff; and
- (e) all members of staff involved in the activities of the subject person that fall within the definition of 'relevant financial business' and 'relevant activity'.



Topic 9: Training

Findings	
 <p>subject persons provide induction AML/CFT training to new joiners between 1 - 3 months of joining the Company.</p>	 <p>subject persons provide induction AML/CFT training to new joiners after 4 months of joining the Company.</p>
 <p>All subject persons provide their employees with a relevant list of red flags and risk indicators.</p>	 <p>All interviewees stated that they have received AML/CFT training since joining the Company.</p>



Topic 9: Training

Areas for improvement



The quality of the AML/CFT training might not be adequate given that the employees were not able to mention the main AML/CFT obligations throughout the interviews.



External training is not customised to align with Maltese legislation and regulations.



Whilst obtaining international qualifications are indeed beneficial, further training on the Maltese regulatory framework as well as how this is then implemented from the Company's point of view may need to be improved.

Topic 10:

Record-keeping

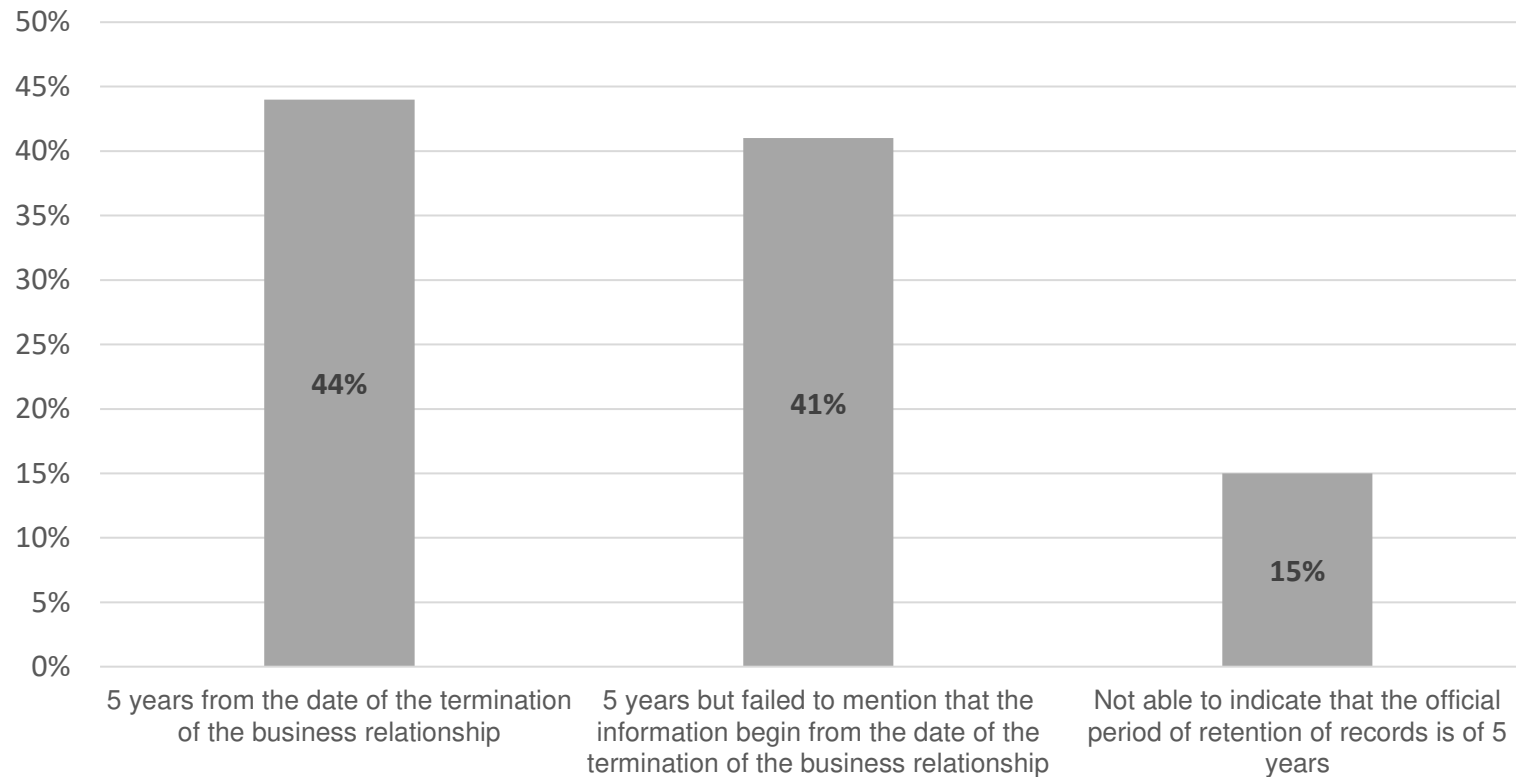


Topic 10: Record-keeping

Section 9.2 of the IPs Part I

Subject persons must maintain the records, referred to in Section 9.2 of the IPs Part I for a period of five (5) years from the date of the termination of the business relationship.

What is the official period of retention of records?





Conclusion

What's next?

1

Results are preliminary, and the complete results will be issued through the Guidance Paper.

2

The Guidance Paper will be shared via FIAU newsletter and website.

3

Subject persons are encouraged to subscribe to the FIAU newsletter for updates as it is the preferred medium of communication with subject persons covering important updates.

4

For questions or queries, please email us at queries@fiaumalta.org.

Thank you!

Contact Us:
queries@fiaumalta.org