



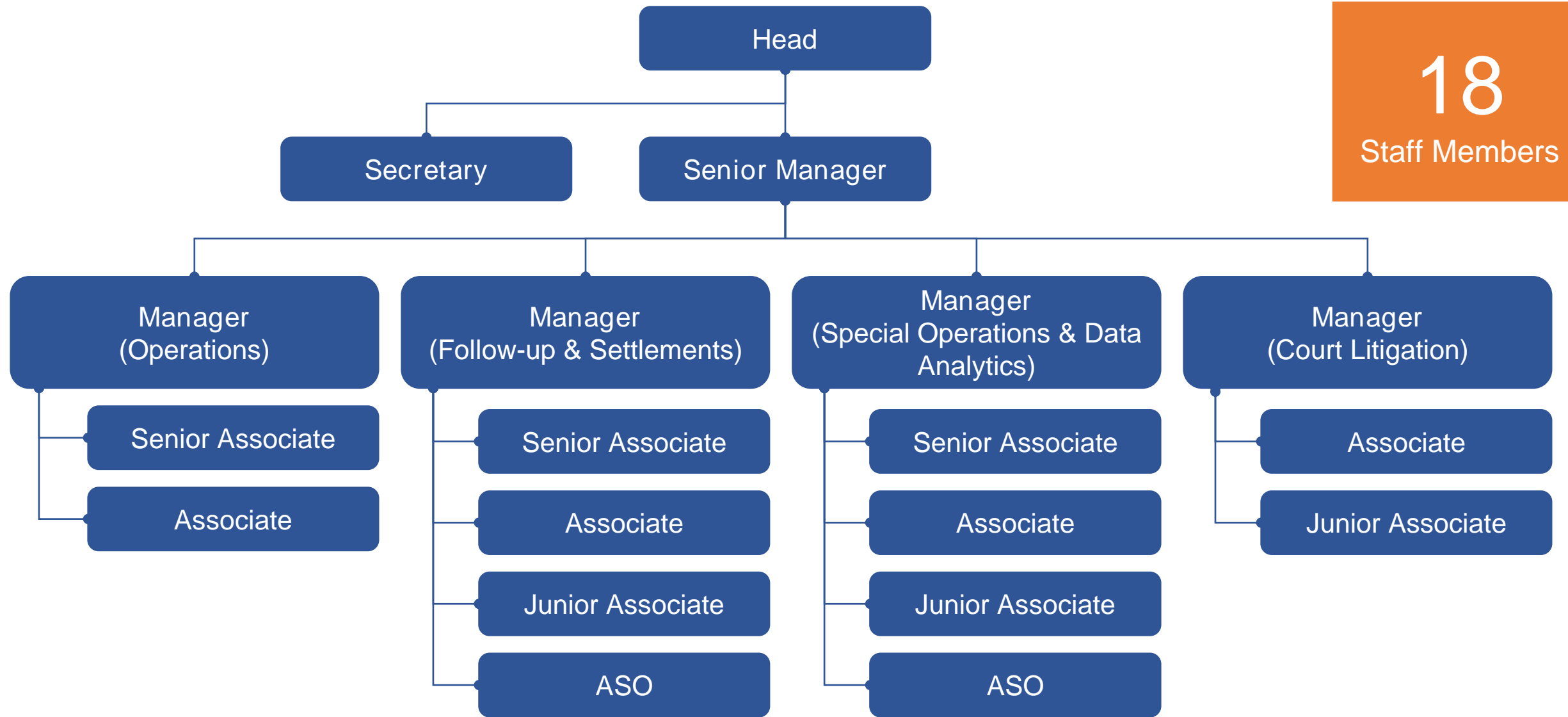
Enforcement

Francesca Alexandra Sammut
Senior Associate

Brandon Agius
Junior Associate



Enforcement Structure





Process from Supervisory to Enforcement Action





Compliance Monitoring Committee

The CMC is an internal organ set up by the FIAU to:

- **Evaluate findings** in relation to potential breaches of AML/CFT obligations; and
- **To impose the most appropriate measures** to address determined breaches.



**The Secretary is not a member of the CMC and does not have voting rights*



Examinations (2018 – October 2023)

No. of SPs Sanctioned

122

Number of Sanctions Imposed

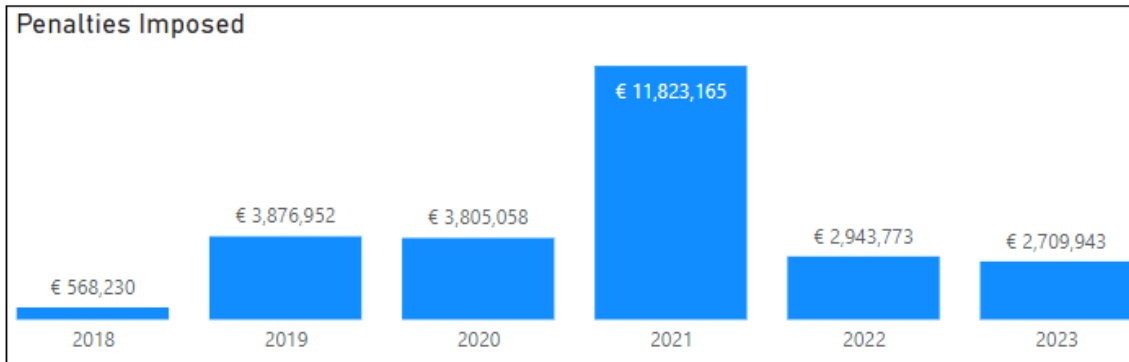
130

Total Penalty Amount

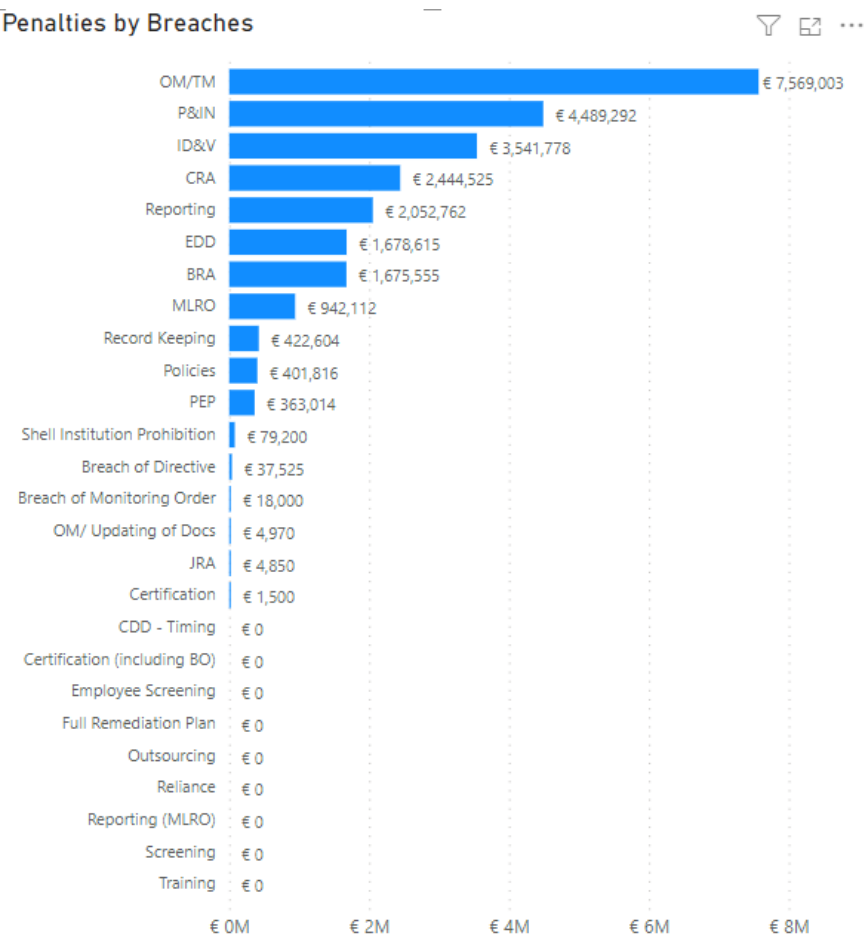
€ 26M

Year	Cases	SPs	No of Penalties	Amount	Directives	Reprimand
2018	8	7	7	€ 568,230		5
2019	6	6	4	€ 3,876,952	1	2
2020	33	33	20	€ 3,805,058	30	9
2021	29	28	26	€ 11,823,165	19	11
2022	33	30	31	€ 2,943,773	23	14
2023	21	21	20	€ 2,709,943	14	9
Total	130	122	108	€ 25,727,121	87	50

Penalties Imposed



Penalties by Breaches





Examinations (2021 – October 2023)

Year	2021				2022				2023			
Sector	Cases	No. of Directives	No of Penalties	Penalty Amount	Cases	No. of Directives	No of Penalties	Penalty Amount	Cases	No. of Directives	No of Penalties	Penalty Amount
Financial												
⊕ Credit Institution	6	4	6	€ 8,134,418	5	5	5	€ 1,163,867	2	2	2	€ 417,980
⊕ Financial Institution	7	5	6	€ 2,183,152	1	1	1	€ 83,052	1	1	1	€ 279,756
⊕ Investments	2		2	€ 346,702	2	2	2	€ 471,580	5	3	4	€ 663,256
⊕ VFAs									2	1	2	€ 463,235
Total	15	9	14	€ 10,664,272	8	8	8	€ 1,718,499	10	7	9	€ 1,824,227
Non-Financial												
⊕ Accountants/ Auditors					2		2	€ 29,607	1	1	1	€ 9,010
⊕ Advocates					1	1	1	€ 23,250				
⊕ CSPs	4	2	3	€ 97,500	13	9	11	€ 228,677	2	1	2	€ 39,336
⊕ Gaming	4	4	4	€ 863,394	4	2	4	€ 738,619	6	3	6	€ 771,963
⊕ Notaries	2	2	2	€ 119,810								
⊕ Real Estate Agents	2	1	2	€ 63,189								
⊕ Trustees & Fiduciaries	2	1	1	€ 15,000	5	3	5	€ 205,121	2	2	2	€ 65,407
Total	14	10	12	€ 1,158,893	25	15	23	€ 1,225,274	11	7	11	€ 885,716
Total	29	19	26	€ 11,823,165	33	23	31	€ 2,943,773	21	14	20	€ 2,709,943



Directives

Follow up and Remediation Directives

Corrective Action

Detailed Action Plan

Endorsement by CMC

Assessment of comprehensive implementation of action points

Tangible Progress towards effective AML/CFT compliance

Interviews, Meetings and Evidence

Sampling and Testing

Actions for non compliance

Closure of Action Plan



Directives (2019 – October 2023)

No. of Directives Imposed

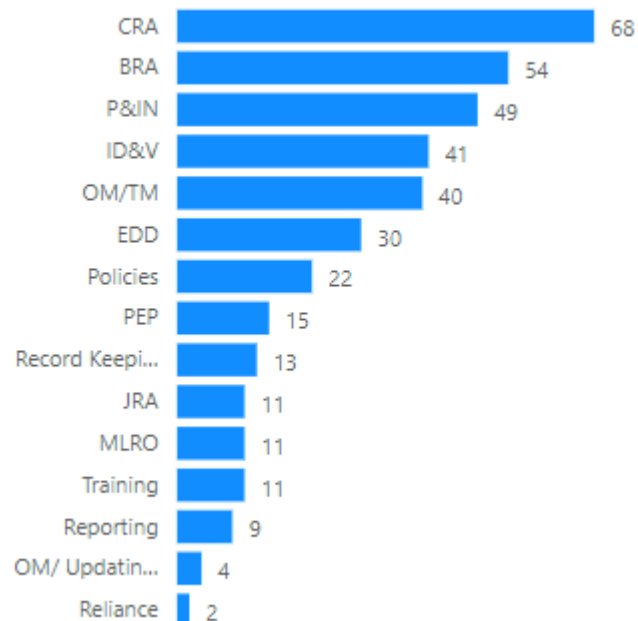
87

No. of Directives Completed

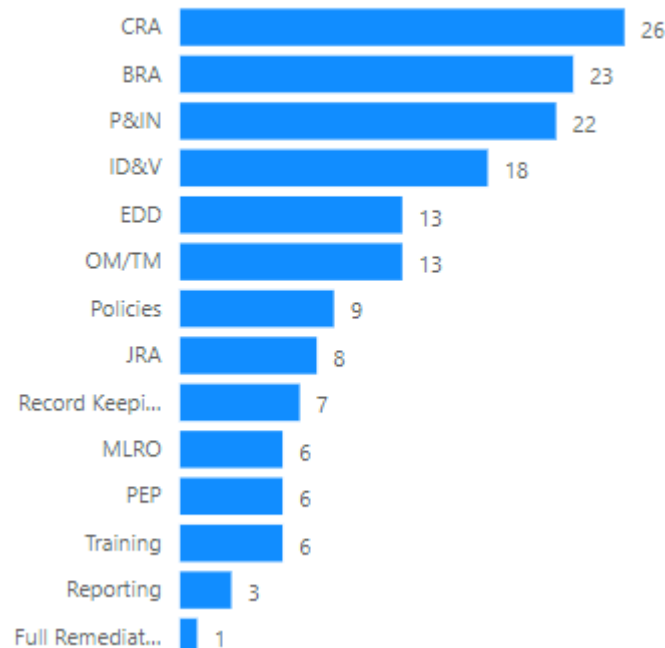
39

> 33
Directive Meetings
held during 2023

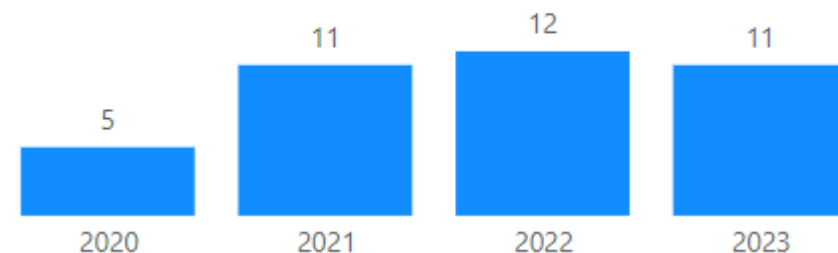
Directives per Breach



Directives per Breach



Directive Closures Per Year





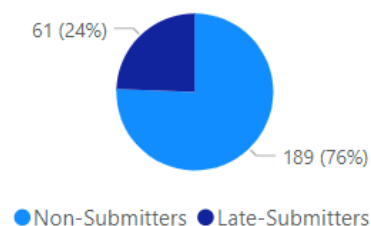
REQ (2020 – October 2023)

FREQUENTLY ASKED QUESTIONS

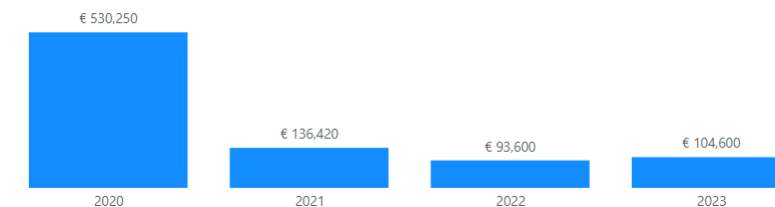
RISK EVALUATION QUESTIONNAIRE (REQ)

Year	Cases	SPs	No of Penalties	Amount
2020	116	116	116	€ 530,250
2021	60	60	60	€ 136,420
2022	35	35	35	€ 93,600
2023	39	39	39	€ 104,600
Total	250	220	250	€ 864,870

REQ Breakdown



Penalties Imposed



Year	2021				2022				2023			
Sector	Cases	No. of Directives	No of Penalties	Penalty Amount	Cases	No. of Directives	No of Penalties	Penalty Amount	Cases	No. of Directives	No of Penalties	Penalty Amount
Financial												
Financial Institution	1		1	€ 800					1		1	€ 2,850
Insurance	3		3	€ 9,120	1		1	€ 4,800				
Investments	6		6	€ 24,320	3		3	€ 14,440	3		3	€ 4,850
VFAs					1		1	€ 2,280				
Total	10		10	€ 34,240	5		5	€ 21,520	4		4	€ 7,700
Non-Financial												
Accountants/ Auditors	4		4	€ 3,940	6		6	€ 6,200	9		9	€ 15,300
Advocates	1		1	€ 720	4		4	€ 5,080				
CSPs	10		10	€ 13,680	2		2	€ 4,800	3		3	€ 2,500
Gaming	16		16	€ 52,040	8		8	€ 38,380	11		11	€ 45,900
Notaries	6		6	€ 7,560	6		6	€ 8,920	5		5	€ 15,900
Real Estate Agents	12		12	€ 23,160	4		4	€ 8,700	7		7	€ 17,300
Tax Advisors	1		1	€ 1,080								
Total	50		50	€ 102,180	30		30	€ 72,080	35		35	€ 96,900
Total	60		60	€ 136,420	35		35	€ 93,600	39		39	€ 104,600



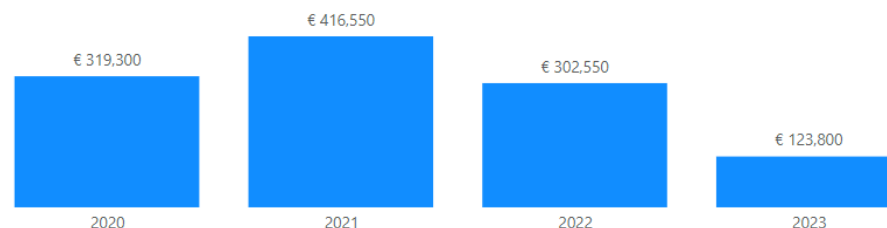
RFI (2020 – October 2023)

FREQUENTLY ASKED QUESTIONS

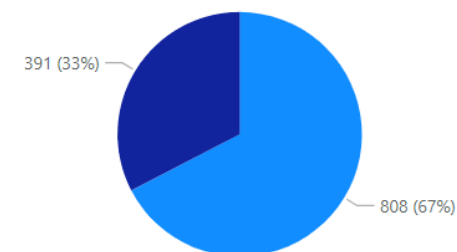
RISK EVALUATION QUESTIONNAIRE (REQ)

Year	Cases	SPs	No of Penalties	Amount	Directives	Reprimand
2020	38	38	35	€ 319,300		29
2021	136	136	89	€ 416,550		122
2022	119	119	66	€ 302,550		75
2023	71	70	46	€ 123,800		29
Total	364	306	236	€ 1,162,200		255

Penalties Imposed



RFI Exercise



Replies ● No Replies ● Incorrect Replies

Year	2021				2022				2023			
Sector	Cases	No. of Directives	No of Penalties	Penalty Amount	Cases	No. of Directives	No of Penalties	Penalty Amount	Cases	No. of Directives	No of Penalties	Penalty Amount
Financial												
⊕ Credit Institution	12		11	€ 177,250	3		2	€ 7,000	1		1	€ 750
⊕ Financial Institution	19		15	€ 55,750	16		10	€ 92,750	7		2	€ 15,500
⊕ Insurance					1		1	€ 750				
⊕ Investments	35		18	€ 30,600	16		13	€ 81,200	3		1	€ 2,000
⊕ VFAs					7		2	€ 4,000	2		1	€ 2,000
Total	66		44	€ 263,600	43		28	€ 185,700	13		5	€ 20,250
Non-Financial												
⊕ Accountants/ Auditors									3		2	€ 750
⊕ CSPs					1			€ 0	5		3	€ 4,500
⊕ Gaming					69		35	€ 113,800	40		28	€ 90,600
⊕ Notaries					4		1	€ 500	10		8	€ 7,700
⊕ Trustees & Fiduciaries	70		45	€ 152,950	2		2	€ 2,550				
Total	70		45	€ 152,950	76		38	€ 116,850	58		41	€ 103,550
Total	136		89	€ 416,550	119		66	€ 302,550	71		46	€ 123,800



Enforcement action:
Notaries (2020 – October 2023)

Notaries – Legal Obligations Breached (Examinations)

Notaries Subject to
Enforcement Action

8

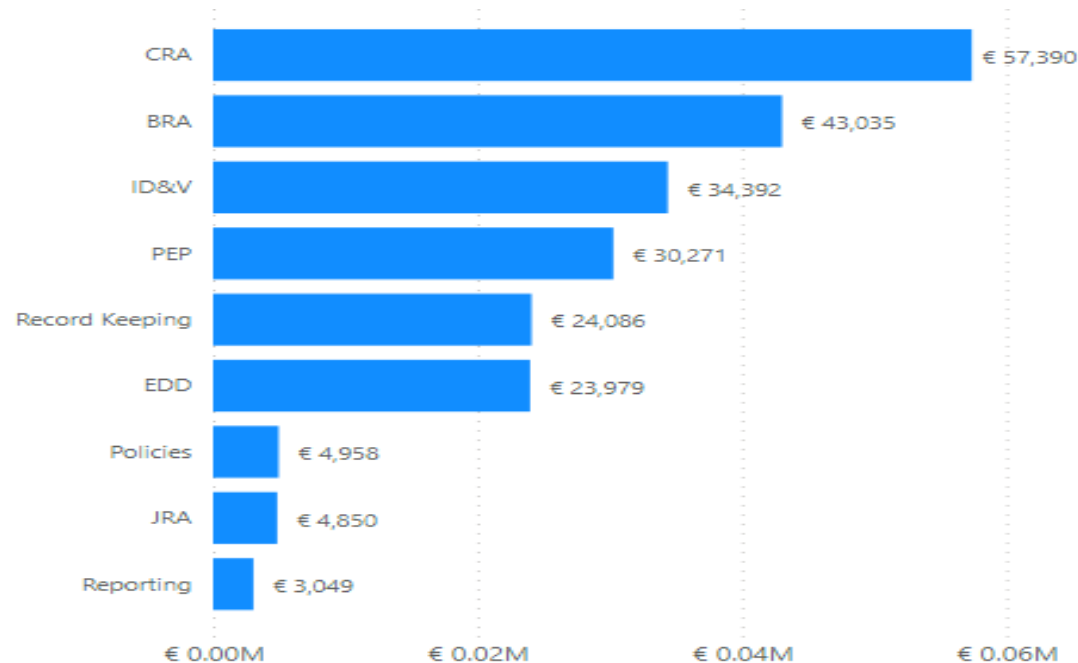
Value of Administrative
Penalties Imposed

€226K

No. of Directives
Imposed

7

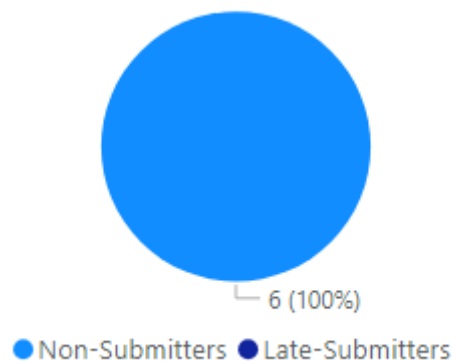
Total Penalties imposed on Notaries split by breach



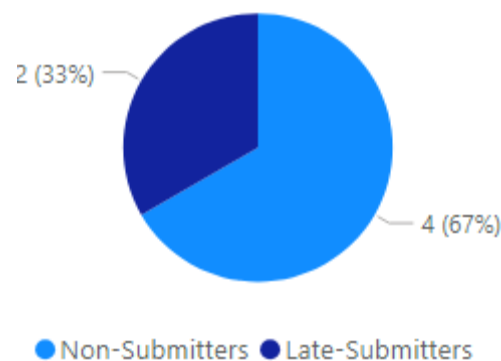


Notaries – Risk Evaluation Questionnaire (REQ)

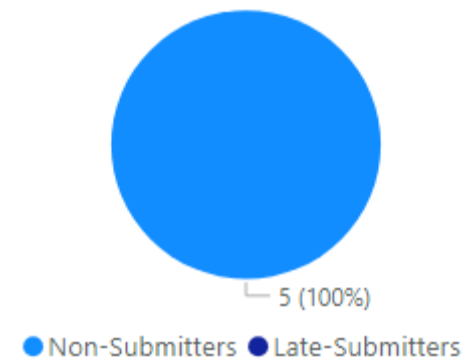
2020 REQ



2021 REQ



2022 REQ



Category	Number of Administrative Penalties Imposed			Value of Administrative Penalties (€)
	Non-Submitters	Late Submitters	Total	
Notaries	6	0	6	€ 7,560

Category	Number of Administrative Penalties Imposed			Value of Administrative Penalties (€)
	Non-Submitters	Late Submitters	Total	
Notaries	4	2	6	€8,920

Category	Number of Administrative Penalties Imposed			Value of Administrative Penalties (€)
	Non-Submitters	Late Submitters	Total	
Notaries	5	0	5	€15,900

Notaries – Requests for Information (RFIs)

Requests for Information transmitted between
January 2020 and June 2021

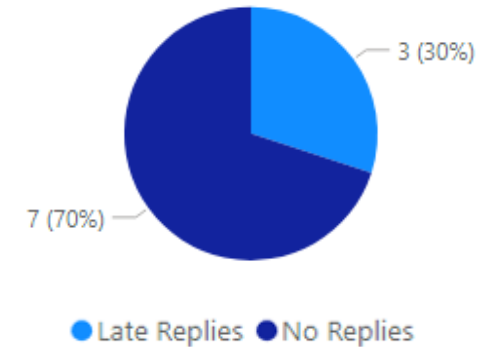
Sector	Category	Requests per Sector
Non-Financial Businesses and Professions (DNFBPs)	Independent Professionals (Accountants, Notaries and Lawyers)	39



Category	Number of Subject Persons	Administrative Measures Imposed	
		Value of Administrative Penalties (€)	Number of Reprimands
Notaries	4	€500	3

Requests for Information transmitted between
July 2021 and December 2022

Sector	Category	Requests per Sector
Non-Financial Businesses and Professions (DNFBPs)	Independent Professionals (Accountants, Notaries and Lawyers)	1



Category	Number of Subject Persons	Administrative Measures Imposed	
		Value of Administrative Penalties (€)	Number of Reprimands
Notaries	10	€7,700	2



Enforcement action:
Real Estate (2020 – October 2023)

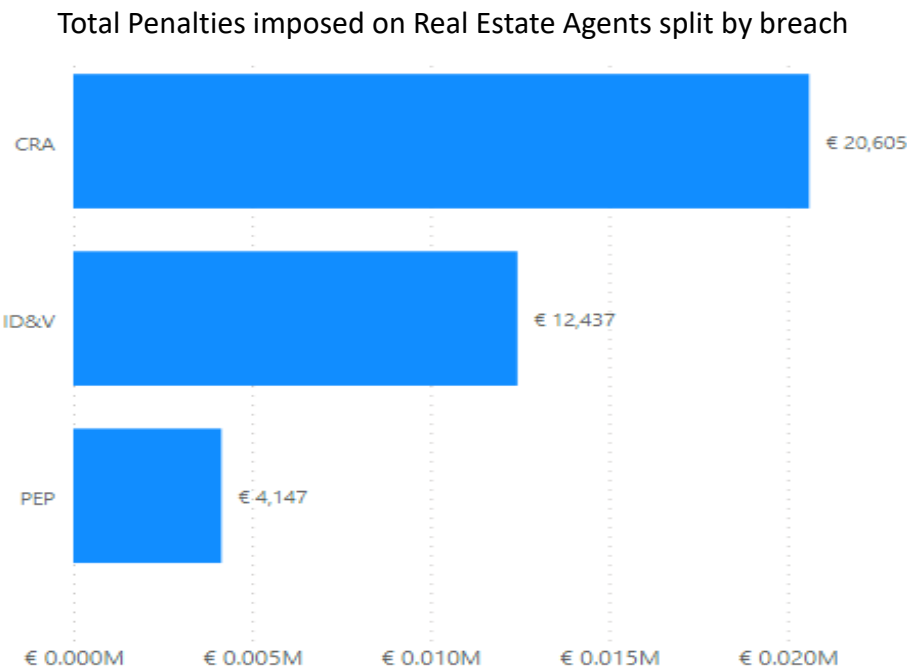


Real Estate – Legal Obligations Breached (Examinations)

REAs Subject to
Enforcement Action
3

Value of Administrative
Penalties Imposed
€37K

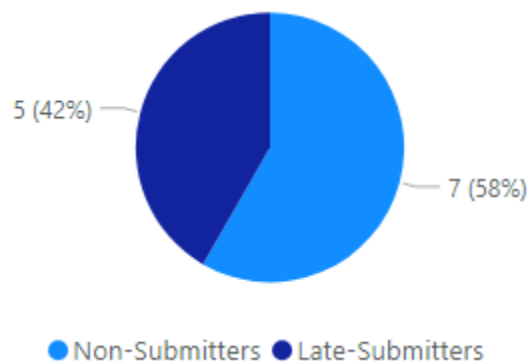
No. of Directives
Imposed
2



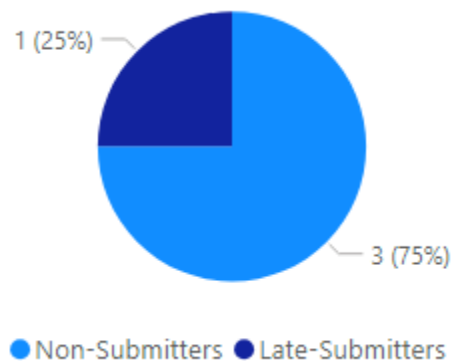


Real Estate – Risk Evaluation Questionnaire (REQ)

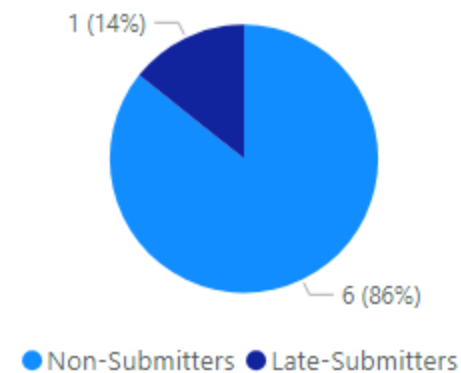
2020 REQ



2021 REQ



2022 REQ



Category	Number of Administrative Penalties Imposed			Value of Administrative Penalties (€)
	Non-Submitters	Late Submitters	Total	
Real Estate Agents	7	5	12	€23,160

Category	Number of Administrative Penalties Imposed			Value of Administrative Penalties (€)
	Non-Submitters	Late Submitters	Total	
Real Estate Agents	3	1	4	€8,700

Category	Number of Administrative Penalties Imposed			Value of Administrative Penalties (€)
	Non-Submitters	Late Submitters	Total	
Real Estate Agents	6	1	7	€17,300



Case Studies



Case Study 1 – Customer Risk Assessment (CRA)



15 Files Reviewed

5 Files:
CRA was NOT carried out

10 Files:
CRA was INADEQUATE



No documented rationale behind the customer's risk rating



Adverse Media searches not factored in



Jurisdictional links not all factored in



No consideration of Interface Risk



Case Study 1 – Customer Risk Assessment (CRA)

Key Take-Aways

The rationale behind the risk scores assigned to customers should be clearly documented. Properly recording the justifications underpinning the outcome of the CRA is crucial to ascertain that the risk rationale is well substantiated

When it comes to the CRA, the customer's reputation also needs to be factored in. Therefore, one should consider whether the customer, or if applicable, its beneficial owner has been the subject of adverse reports linking him/her to crime and/or terrorism

It is essential to consider all the jurisdictions with which the customer has business relationships or connections with.

It is essential that the CRA exhaustively covers all four pillars of risk. Whilst personally meeting with customers to get an understanding of the risk profile is in fact a good and effective control, this however is not considered as sufficient for the CRA.



Case Study 2 – Enhanced Due Diligence (EDD)

General Observation

Policies & Procedures did not define the EDD measures to be carried out in the case of high ML/FT risks

File Specific High-Risk Elements



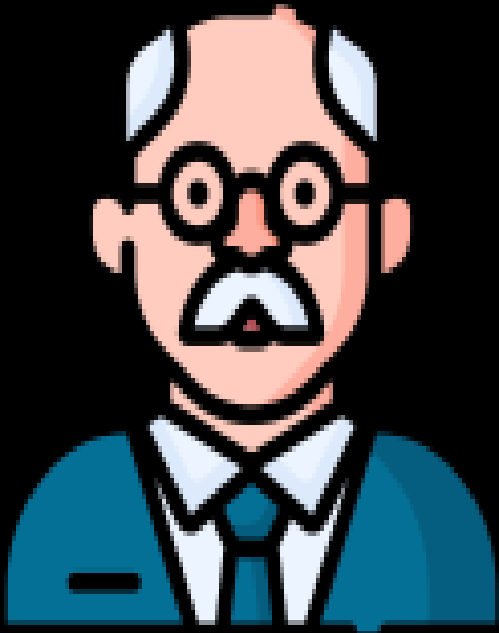
Sale of immovable property involving a PEP



High Net-worth client utilising own funds



Involvement of non-EU Jurisdictions





Case Study 2 – Enhanced Due Diligence (EDD)

Key Take-Aways

Carrying out EDD measures is indispensable where the risk presented cannot be mitigated and managed through the implementation of normal CDD measures. Therefore, subject persons shall ensure that there is a significant consideration of which risks require the implementation of EDD.

PEPs pose a high risk of ML/FT due to the position that they occupy and the influence they may exercise through their prominent public function. Risks include those of being involved in corrupt practices, accepting bribes, or abusing or misappropriating public funds.

One should ascertain the wealth of the high-net worth individuals, as well as ensure that the source used by them to fund their activities are well understood. Online or other publicly available information can be used if they are determined to be reliable sources.

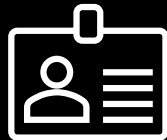
Where the customer presents higher risk elements (including links with non-reputable jurisdictions or purchases being made through own funds), subject persons are expected to perform EDD measures. This may be done by enquiring further and gathering additional documentation on the customer's source of wealth and source of funds.



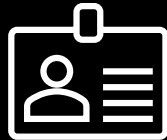
Case Study 3 – Identification & Verification



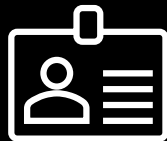
15 Files Reviewed



Inadequate identification and verification of corporate customers and their beneficial owners



SDD was applied yet no evidence was found on file to demonstrate that the company was publicly listed



No Authorisation in writing of the agent acting on behalf of the customer



No documents obtained to verify the identity of the customer (natural persons)



Case Study 3 – Identification & Verification

Key Take-Aways

A subject person is required to undertake appropriate checks and gather information to be able to establish a customer's ownership and control structure including ascertaining who the beneficial owner is.

Having established who the beneficial owner is, the subject person must ensure that the corporate customer provides it with the personal details of the beneficial owner as listed in Section 4.3.1(i) of the IPs. The subject person must then verify the beneficial owner's identity by applying any of the verification measures referred to in Section 4.3.1 of the IPs that may be most appropriate to the circumstance of the case.

Customers can be represented by third parties, including their own officers. It is important to ensure that these persons have been duly identified and verified and that there is evidence to confirm that they can act on behalf of the customer.



Thank You