



National Coordinating Committee

ON COMBATING MONEY LAUNDERING AND FUNDING OF
TERRORISM

Annual Report

April 2019 - March 2020



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Combating Money Laundering & Funding of Terrorism, 2020**

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Hon. Minister of Finance
30, Maison Demandols
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Valletta VLT 1102



April 2020

Dear Hon. Prof. Edward Scicluna,
Through the Chairperson NCC, National Coordinating Committee,

In accordance with Article 11 of the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism Regulations, Subsidiary Legislation 373.02, I have the honour to transmit to you in your capacity as Minister, a copy of the Annual Report on the operations of the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism and the supporting Secretariat for the year ended 31 March 2020.

Yours sincerely,

Dr. Helga Buttigieg Debono
Executive Head of the National Coordinating Committee on Combating Money
Laundering and Funding of Terrorism

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Foreword by the Chairperson

The National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC) is the national body that has been charged with the oversight of Malta's efforts in the Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT).

Its brief is to coordinate policy, strategy and the implementation of actions that would ensure a sustainable, proactive, responsive and effective AML/CFT framework. Therefore, the institution aims to bring together the different players in a long chain of stakeholders that are either mandated or are required by law to contribute substantively to our national AML/CFT strategy and its implementation. The strategy is intended to facilitate dialogue and cooperation between the different stakeholders and their effective contribution in this area of operations, and to ensure complementarity and cohesiveness of action in order to achieve the desired results.

In implementing its mission, the NCC is taking a multi-pronged approach that is essentially based on the following six pillars:

1. The strengthening of inter-agency coordination and cooperation;
2. Ensuring that the national institutions charged with the implementation of our national AML/CFT strategy would have the right capacity and resources;
3. Ensuring a strong AML/CFT legal, policy and procedural framework;
4. An ongoing update of our national and sectorial risk assessments through the continuous collection of relevant and evidence-based intelligence;
5. The need to have effective national regulatory, supervisory and investigative institutions;
6. Appropriate and effective internal and external communication and reporting.

The NCC is basing its work for the implementation of the national AML/CFT strategy recommendations and the recommendations in the Mutual Evaluation Report (Moneyval) of the Council of Europe on the above-mentioned pillars. Work has progressed substantially though much more needs to be done. Indeed, in this area of operations and given the ongoing changes in our society and economy, it is always advisable to temper whatever would have been achieved by looking ahead and identifying new strategies and courses to address new and future challenges. This is the only way for the relatively new NCC and its member bodies to remain dynamic, proactive and responsive to the needs of our country and its economy.

Alfred Camilleri
March 2020

Prologue by the Executive Head

The National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC) was established within the Ministry for Finance and Financial Services through Subsidiary Legislation S.L. 373.02. The need for this entity was identified in the 2017 National Risk Assessment which highlighted the need for better coordination among the competent authorities. The NCC is today the governing body responsible for the general oversight and coordination of Malta's anti-money laundering and combating funding of terrorism (AML/CFT) strategy and policy and, therefore, in charge of defining, overseeing and coordinating the implementation of this strategy. It is responsible for promoting effective collaboration between regulators and law enforcement agencies and for monitoring interaction among them.

I am pleased to report that the NCC has now been fully established for two years and the board is meeting regularly to draw up and decide on policies and to address any necessary changes. The supporting NCC Secretariat is now functioning with highly skilled professionals. Along with the periodic meetings of the members of the board, the national strategy action plan highlighted seven initiatives which needed addressing. Several sub-committees were created under the auspices of the NCC to ensure that these actions will be carried out by the end of 2020. These sub-committees are attended by legal and technical officials from various competent authorities. These sub-committees address specific areas through the work block meetings. The purpose of these meetings is to coordinate and support the various actions identified in the risk assessments and action plan, to provide a better platform which targets concerns of money laundering and terrorism financing.

In the past year Malta underwent an evaluation by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval). The report on Malta's performance was adopted in the fifth round Moneyval Mutual Evaluation Report (MER) in July 2019. This report provided a summary of the AML/CFT measures which were in place in Malta as at the date of the onsite visit (5-16 November 2018). It analysed the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Malta's AML/CFT system and provided a list of recommendations on how the Maltese system could be strengthened.

The NCC Secretariat coordinated the submissions that were needed for the Moneyval assessment during the evaluation period. Since the publishing of the MER, the NCC has incorporated the 58 recommendations that were in the final report into an action plan which was circulated to the competent authorities so that they would report their plans and give timeframes as to when the deficiencies would be effectively addressed. All authorities are today fully aware of the actions that need to be taken, with the actual implementation targeted to be finalised by the end of July 2020. The next step involves the requirement on the NCC to report to the FATF on the implementation of these recommendations. The NCC is reaching out periodically to all the competent authorities to report on progress made, with a view to being kept updated on what actions have been successfully completed and what actions are still being addressed.

The MER report did underline that Malta had made significant efforts in understanding the money laundering and financing of terrorism risks by conducting a formal National Risk Assessment in 2017. However, we have not stopped there. The NCC is now reinforcing and updating the National Risk Assessment by targeting sectors in order to analyse the risks and

vulnerabilities within them. Recently, three sectoral risk assessments with their action plans, targeting terrorism financing, virtual assets and legal arrangements, have been finalised. The key results, together with their action plans, were made publicly available on the new NCC website launched in February 2020.

Moreover, at present, work is concentrated on the identification of local risks and vulnerabilities with regard to organised crime groups. Earlier this year, we have engaged with the competent authorities to provide current data and statistics. In the past months, work was taken in hand on a new sectoral risk assessment that is expected to gauge the risks arising from organised crime groups locally. The risk assessments not only serve to strengthen the authorities' knowledge of the risks and vulnerabilities and help them mitigate the threats, but also to provide guidance and proper outreach to private industry so that this sector is also aware of the risk exposure and the effective measures to be taken to address the identified risks. Furthermore, there are plans for the forthcoming year to coordinate a national exercise to revise and update our National Risk Assessment.

Apart from the coordination of the required work for the implementation of the Moneyval recommendations, the NCC Secretariat also coordinates submissions for other evaluations. Malta made all the necessary amendments to the Civil Code, the Companies Act, the Trusts and Trustees Act, and the Prevention of Money Laundering Act. We have recently finished coordinating the submissions on the effectiveness of the implemented fourth AMLD. A report has been sent to the European Commission and this was to be followed by an onsite visit in the first quarter of 2020. However, due to the unprecedented circumstances of the COVID-19 pandemic, this was postponed.

Malta has also finished the drafting of legislation for the implementation of the fifth AMLD. This Directive responds to these risks through several key amendments, partly caused by the Swiss leaks, Panama papers, and several banks in Latvia, Estonia and Denmark. This Directive, which entered into force on 9 July 2018, was due for implementation by Member States by 10 January 2020 and goes ahead on the previous fourth AMLD instruments. The Directive aims to tighten the obligations placed on the institutions under the existing rules, including an emphasis on beneficial ownership records and puts greater emphasis on sanctions for violations, among other changes.

The NCC also acknowledged the recommendation in the MER report that our officials should be well skilled in identifying and mitigating risks. The NCC is thus promoting and financing AML/CFT training for officials from the competent authorities. The NCC, in collaboration with the US Embassy, has provided a one-week training course in Financial Investigative Techniques for 40 officials from different competent authorities. In February 2020 the NCC, in collaboration with the UK embassy, organised training related to combating terrorism financing. We are also currently working on training in Forensic Accounting and Due Diligence. Other sessions are additionally envisaged for the judiciary in September 2020. This will provide a platform for the members of the judiciary to be exposed to ways in which the foreign courts tackle AML and CFT cases and to share ideas with their foreign counterparts.

The NCC cooperates with the Ministry for Finance and Financial Services in the publication of a monthly newsletter: 'Malta Financial Services Oversight', which aims to inform all stakeholders, including the private sector, about the progress that Malta is making to strengthen the financial regulation and oversight to meet its international obligations in the fight against financial crime. The first newsletter may be found on the NCC website.

The NCC is offering a useful platform for all competent authorities to interact and strengthen cooperation among themselves. The NCC is also providing a holistic picture on how to identify national discrepancies, target gaps and facilitate effective proposals for successful mitigation of risks. Unfortunately, the unexpected circumstances of the COVID-19 pandemic are a further challenge which we are facing this year. This harsh reality has adversely affected our ‘business as usual’ attitude. That said, we are doing our utmost to exercise and maintain the national momentum with a satisfactory degree of regularity. To this end, we count on all competent authorities to keep abreast with the reforms that are expected of Malta, and to formulate ad hoc risk assessments within their structure to identify the challenges we are now facing. Our mission this year is to further reinforce our national programme and to continue driving impetus within all the competent authorities. All competent authorities are required to report successfully by mid-year all MER-related actions they are responsible for.

Our Mission Statement

The purpose of the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism (NCC) is to oversee the national effort on Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT).

The objectives of the NCC are:

- Ensure full transparency on Malta's AML/CFT risks;
- Comprehensive, coordinated and communicated strategy for managing the risks;
- Effective execution of and follow-through on decisions made;
- Effective ongoing cooperation and intelligence sharing among stakeholders.

Organisational Structure

During the period of the report the below members sat on the board of the NCC as prescribed by the National Coordinating Committee on Combating Money Laundering and Funding of Terrorism Regulations, Subsidiary Legislation 373.02 (vide. Table 1).

Table 1. NCC Board Members

Agency	Designated person	Appointed person
Ministry for Finance & Financial Services	Permanent Secretary	Mr. Alfred Camilleri (NCC Chairperson)
Asset Recovery Bureau	Chairperson	Judge Emeritus Dr. Joseph David Camilleri
Central Bank of Malta	Governor	Dr. Mario Vella
Commissioner for Revenue	Commissioner	Mr. Marvin Gaerty
Financial Intelligence Analysis Unit	Chairperson	Dr. Peter Grech (until 22.02.2020) Mr. Jesmond Gatt (from 30.03.2020)
Malta Financial Services Authority	Chairperson	Prof. John Mamo
Malta Gaming Authority	Chairperson	Ms. Marlene Seychell (Resigned June 2019) Mr. Heathcliff Farrugia (Acting since 01.10.2019)
Malta Police Force	Commissioner	Mr. Lawrence Cutajar (Resigned 17.01.2020) Mr. Carmelo Magri (Acting since 17.01.2020)
Ministry for Home Affairs, National Security & Law Enforcement	Permanent Secretary	Mr. Kevin Mahoney
Ministry for Justice, Equality & Governance	Permanent Secretary	Mr. Johan Galea
Office of the Attorney General	Attorney General	Dr. Peter Grech

Completion of three Sectoral Risk Assessments

During 2019, the NCC completed three sectoral risk assessments regarding the financing of terrorism: legal entities, legal arrangements (LEA) and voluntary organisations (VOs), as well as on the virtual financial assets (VFAs), with the contributions from the concerned competent authorities. For competent authorities, the sectoral risk assessments will help prioritise efforts and resources using a risk-based approach. For the private sector, these will allow for the development of proportionate and effective controls.

Sectoral Risk Assessment of Terrorism Financing

The sectoral risk assessment on the financing of terrorism was endorsed in July 2019 by the NCC members. This assessment has the objective of evaluating Malta's exposure to financing of terrorism, improving the national understanding of the financing for terrorism risks (e.g. typologies and patterns), and identifying measures that would strengthen the countering of the financing for terrorism regime. Like any other country, the sectoral risk assessment found that Malta faces threats from several and different types of actors. These were identified as:

- Small terrorist cells and lone actors - Individuals or small groups who typically rely on modest resources to carry out relatively low-tech attacks, for example, foreign terrorist fighters; small terrorist cells; and individual actors.
- Command and control terrorist networks - organisations that seek to operate over an extended period of time, coordinating members' activities across the world;
- Terrorist organisations which control significant territory - organisations that control territory or conduct military-like operations and have organisational structures that more closely resemble those of armies and governments than terrorist cells;
- Foreign safe havens and state sponsors of terrorism - nation-states that 'repeatedly provide support for acts of international terrorism' or 'provide a safe haven for terrorist groups' (as defined by the US State Department List), for example, Syria, Iran, Sudan, Democratic People's Republic of Korea, Libya, Iraq, Lebanon, Egypt; and
- 'Corporate' terrorist groups - organisations that sit in the increasingly overlapping arena of terrorism and organised crime, for example, narco-terrorists, modern pirates.

Subsequent to identifying the threats, the risk assessment considers Malta's inherent vulnerabilities across the end-to-end financing for terrorism process (raising, movement, and use of funds). The assessment concludes that overall Malta has a "Medium" level of inherent vulnerability. This overall rating is due to the fact that given that only small amounts of finance are required to conduct a terrorist attack, and given the difficulty in detecting and preventing financing of terrorism activity, the inherent vulnerability to the financing of terrorism is assessed as "Medium" for Raising funds, "Medium-High" for Movement of funds and "Low" for Use of funds. In assessing this process, it is important to keep in mind that the analysis focuses exclusively on Malta's exposure to financing of terrorism and does not consider the effectiveness of controls. These vulnerabilities primarily relate to where the country's infrastructure (e.g. the Malta Freeport) or organisations (e.g. those in the financial services sector) could be used as a transit destination in the financing of terrorist activities overseas. This sectoral risk assessment concludes that, while the authorities built the foundations of robust and effective countering of financing of terrorism controls over the past years, the effectiveness of Malta's countering of financing of terrorism end-to-end process needs to be further strengthened.

Sectoral Risk Assessment on Virtual Financial Assets

The Virtual Financial Assets (VFA) sectoral risk assessment was endorsed by the NCC members in December 2019. This risk assessment includes an assessment that takes into consideration the updates to the FATF recommendation guidelines, where such an assessment considers to what extent the domestic legislative framework would need to be revisited to ensure that Malta would be compliant with the revised FATF Recommendations. Two types of threats were examined: existing threats that may be exacerbated by the rise of VFAs and emerging threats that will be created/enabled by the emergence of VFAs. The existing threats are predicate offences that are deemed particularly susceptible to the rise of virtual financial assets, namely:

- Illicit trafficking in narcotic drugs and psychotropic substances;
- Corruption and bribery;
- Fraud, including tax evasion;
- Theft.

It is worth noting that, in contrast to money-laundering using VFAs, terrorism financing using VFAs has been limited to date. However, international cases have been reported, including allegations of ISIS funding via Bitcoin, but mainstream adoption of cryptocurrencies to fund terrorism has so far not occurred. This is likely due to several barriers:

- High volatility of cryptocurrencies;
- Difficulties in converting cryptocurrencies into fiat cash for use in purchases;
- Lack of sufficient technical expertise amongst terror groups;
- Possibility of tracing and flagging suspicious transactions through the ledger on the most liquid/readily available of cryptocurrencies.

Despite these disadvantages it is likely that terrorist groups will continue to solicit funding via cryptocurrencies and the barriers listed above are not insurmountable.

The emerging threats reflect the fact that recent years have seen an increase in the proliferation of new predicate offences specifically linked to the rise of VFAs. While the offences outlined above have been aided by the rise of VFAs, the following cybercrimes have grown in prevalence precisely because of the increased usage and acceptance of VFAs:

- Ransomware attacks (payments demanded to unlock the victim's computer are increasingly solicited in cryptocurrency);
- Hacks (typically involving the theft of large sums of virtual currency from an exchange provider);
- Market manipulation (increasingly common among virtual currencies with a low market capitalisation where a few large investors can control prices);
- Fraudulent ICOs (a phenomenon involving false promises regarding the future value of a crypto-asset before or during its launch);
- VFAs can be used to fund the manufacture, acquisition, purchase of illicit weaponry (nuclear, chemical or biological weapons) and their means of delivery.

The sectoral risk assessment concluded that Malta has a "High" level of inherent vulnerability in terms of convertible virtual currencies. Overall, non-convertible virtual currencies have a

“Low” level of inherent vulnerability. The last asset type, that of crypto-backed financial products, fall under the category of “Medium” level of inherent vulnerability.

Sectoral Risk Assessment on Legal Entities, Legal Arrangements and Voluntary Organisations

The sectoral risk assessment on Legal Entities, Legal Arrangements and Voluntary Organisations (LEAs and VOs) was endorsed by the NCC members in July 2019. This sectoral risk assessment focused on all legal entities and arrangements that are established or operating in Malta. This assessment involved a four-step process including an assessment of the threats, vulnerabilities, controls and, finally, the residual risk calculation. Findings of the assessment indicate that certain classes of legal entities and legal arrangements are highly exposed to:

- illicit proceeds of crime from tax evasion; and
- activities of local criminal groups and drug trafficking.

However, as noted in the Sectoral Risk Assessment of Terrorism Financing section, such findings do not take into account the controls in place or their effectiveness. For threats such as fraud and misappropriation, corruption and bribery and unlicensed financial services, legal entities and arrangements may be misused to enable these predicate offences.

Subsequently, controls were assessed across the five areas of market entry, namely: internal controls and governance, external controls, supervision, monitoring and oversight, and detection, investigation and prosecution. Controls and residual risk assessment relating to legal entities showed that:

- Controls relating to private limited companies were assessed to have a ‘moderate’ level of effectiveness, with some mitigating impact on the inherent risk. However, despite these current controls the residual risk remains “High”.
- Public limited companies (i.e. capital companies) were also found to be operating with a ‘moderate’ effectiveness resulting in a “Medium-low” residual risk; though still comparatively higher control effectiveness compared to private limited companies and higher than partnerships;
- Partnerships operate with ‘low’ control effectiveness resulting in a residual risk of “Medium-high”. This stems from a combination of limited market entry controls, limited transparency over beneficial ownership, a low level of ongoing monitoring and limited enforcement activities;
- Foundations operate with a ‘low’ effectiveness of controls with a “High” residual risk. Although there are market entry controls and some ongoing monitoring, effectiveness across the regime is limited due to lack of verification of beneficial ownership and limited detection, investigation and prosecution.

Key Results and Action Plans

Further to the three sectoral risk assessments, the NCC has finalised the key results document of each sectoral risk assessment. These are now publicly available. The NCC has also prepared the related action plan documents which aim to address the risks outlined in the sectoral risk assessments. It is to be noted that the action plan addressing the risks emanating from the sectoral risk assessment on the financing of terrorism highlights the cruciality of the sharing of intelligence among the competent authorities, which will ultimately lead to greater efficiency.

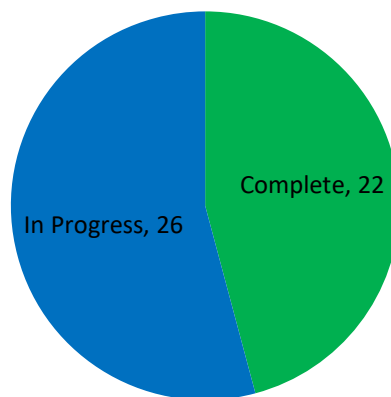
Another crucial requirement is the outreach to the private sector. The action plan also demands legal amendments, particularly related to the sanctions for the financing of terrorism offences, as well as legislative changes that empower the Customs Department to strengthen its confiscation powers. Furthermore, to emphasise the fact that Malta is taking the crime of financing of terrorism seriously, there will also be an increase in the maximum years of imprisonment related to the conviction of financing of terrorism related offences.

The key results documents of the sectoral risk assessments on the financing of terrorism, the LEA and VOs, and the VFA, along with the respective action plans, are available for the public on the NCC website (www.ncc.gov.mt). These will help the competent authorities to prioritise efforts and resources, as well as to better address the private sector through appropriate outreach techniques. For the private sector, these will allow for the development of proportionate and effective controls within their remit by developing their own risk assessments and mode of mitigation.

National AML/CFT Action Plan

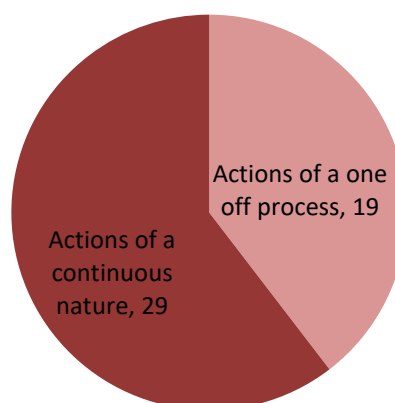
The NCC created sub-committees for each of the seven key initiatives outlined in the plan, with each group addressing a separate building block. Officials representing the competent authorities attended the meetings during which the invited attendees discussed each of the 48 actions outlined in the plan. Several actions were successfully implemented by the competent authorities in the course of the past year. The three-year action plan timeframe comes to a close later this year, and the NCC is currently urging all authorities to complete the 26 actions that are work-in-progress (vide. Figure 1). A full list of the meetings held is published in Annex I, whilst the individual status of each action plan is listed in Annex II.

Figure 1. Current state of actions



Out of the 22 completed actions, 11 are of a continuous nature, while of the 26 actions that are work in progress, 18 will also be of a continuous nature. This means that of the 48 actions, a total of 29 are continuous actions, meaning that while targets are in place for 2020, such actions will continue to be dealt with (vide. Figure 2).

Figure 2. Continuous actions vs one-off processes



Moneyval Key Findings and Actions

The fifth-round mutual evaluation report on Malta was adopted by the Moneyval Committee at its 58th Plenary Session (Strasbourg 15-19 July 2019). This report was published and made publicly available in September 2019.

This report provides a summary of the anti-money laundering (AML) and countering the financing of terrorism (CFT) measures in place in Malta as at the date of the onsite visit (5-16 November 2018). It analyses the level of compliance with the Financial Action Task Force (FATF) recommendations and the level of effectiveness of Malta's AML/CFT system.

The report has identified 58 weaknesses in Malta's AML/CFT system and provides recommendations on how the system could be strengthened. All 58 actions identified by Moneyval are to be strictly implemented by mid-2020. The NCC is required to submit a report to the FATF on the progress reached and the actions completed by the competent authorities by August 2020. The FATF would then be required to give its feedback and conclusions on the progress made by Malta by the end of December 2020, which would determine whether or not Malta would have to be subjected to close monitoring. The effectiveness ratings of Malta as outlined in the Moneyval Evaluation Report (MER) were split into 11 different IO's as presented in Table 2.

Table 2. Effectiveness Ratings for Malta

IO No.	IO Description	IO Rating
IO.1	Risk, policy and coordination	Moderate
IO.2	International cooperation	Substantial
IO.3	Supervision	Low
IO.4	Preventive measures	Moderate
IO.5	Legal persons and arrangements	Moderate
IO.6	Financial intelligence	Moderate
IO.7	ML investigation and prosecution	Low
IO.8	Confiscation	Low
IO.9	TF investigation and prosecution	Moderate
IO.10	TF preventive measures and financial sanctions	Moderate
IO.11	PF financial sanctions	Substantial

Key Findings, Recommended Actions and Progress

IO.1 - Risk, policy and coordination – Rated Moderate

According to the MER, Malta made significant efforts to understand its money laundering and financing of terrorism risks by conducting a formal National Risk Assessment which was updated in 2017. This showed a broad understanding of the vulnerabilities within the AML/CFT system, however, certain topics appeared to have been insufficiently analysed. Emanating from this National Risk Assessment was a National AML/CFT action plan containing steps for several agencies to revise their operations and priorities, to consider the vulnerabilities in the framework and to improve risk-based supervision in general, as well as strengthen and reinforce AML/CFT requirements. On this basis, Moneyval recommended that Malta should, as a matter of priority, take action to improve national understanding of risks,

threats and vulnerabilities, share among the private sector detailed information on the money laundering and financing of terrorism risks, and ensure that the objectives of the AML/CFT supervisors, the FIAU and legal entities and legal arrangements are consistent with national AML/CFT policies and the identified risks.

The outlined deficiencies had already been identified by the Maltese Government before the Moneyval onsite evaluation. In order to strengthen coordination and cooperation among competent authorities, the NCC was established within the Ministry for Finance and Financial Services through Subsidiary Legislation 373.02 which was enacted on the 13th April 2018. The role of the NCC is to oversee and coordinate the implementation of the National AML/CFT strategy. The board members of the NCC include policymakers (top representatives from the Ministries for Finance and Financial Services, Home Affairs and Justice), supervisors (FIAU, MFSA, MGA), law enforcement agencies (Malta Police), the Central Bank and the Office of the Attorney General. The NCC is also tasked to review, analyse and monitor the money laundering and financing of terrorism threats in Malta, to implement action plans against agreed timelines and to create sub-committees in charge of specific areas and issues.

Apart from a revised National Risk Assessment which is currently being addressed for updating by the end of the year 2020, the NCC, in conjunction with all competent stakeholders, has completed the three sectoral risk assessments listed below:

- Financing of terrorism sectoral risk assessment - This sectoral risk assessment has the objective of evaluating Malta's exposure to TF, improving the national understanding of the TF risks (e.g. typologies and patterns), and identifying measures that would strengthen the CFT regime;
- LEAs and VOs risk assessment - This sectoral risk assessment focuses on all legal entities and arrangements that are established or operating in Malta. The purpose of this sectoral risk assessment is to evaluate Malta's risk exposure through the lens of legal entities and arrangements, to improve the understanding of the nature of these risks (e.g. typologies and patterns), and to identify measures that would strengthen the AML/CFT regime;
- VFA risk assessment - This sectoral risk assessment includes an assessment that takes into consideration the updates to the FATF recommendation guidelines, where such an assessment considers to what extent the domestic legislative framework would need to be revisited to ensure that Malta would be compliant with the revised FATF Recommendations.

Further to the three sectoral risk assessments, the NCC has finalised the key results of each sectoral risk assessment and the related action plans which are aimed at mitigating the identified risks outlined in the risk assessments. The key results documents of the sectoral risk assessments of the financing of terrorism, the LEAs and the VOs and the VFA sectoral risk assessments, along with their respective action plans, are available for the public on the newly launched NCC website.

IO.2 - International cooperation – Rated Substantial

Malta was highly praised for its efforts in international cooperation, given that our legislative framework is very comprehensive in this regard and given that direct exchanges of information through MLAs are frequently done by both the Malta Police and the FIAU. The Malta Police is active in the sphere of international cooperation through direct communication via Europol, CARIN and SIENA as well as engagement in transnational JIT (Joint Investigation Teams).

The MER reports that the Moneyval evaluators were satisfied with both the local quality and timeliness of providing international assistance. The Moneyval evaluation team did, however, suggest that Malta use formal Mutual Legal Assistance (MLA) tools for seeking timely assistance from abroad to pursue money laundering, associated predicate offences and financing of terrorism in order to make the use of MLAs more consistent with the role of Malta as a growing international financial centre. It also suggested that the FIAU should only communicate directly with other foreign FIUs for international cooperation and should not engage in direct contact with foreign authorities, unless made necessary on account of timeliness. The FIAU has taken this suggestion on board and is now adhering to this practice.

IO.3 - Supervision – Rated Low

The supervisory authorities were criticised for not having adequate resources to conduct AML/CTF risk-based supervision and monitoring based on the size and complexity of Malta's profile. The report proposes that the FIAU and sectoral supervisors should ensure that they have adequate resources in place. The MER further criticised Malta on the inadequate level of knowledge of money laundering and financing of terrorism risks in Malta which varies across the respective sectors, putting a big emphasis on sectoral supervisors to enhance their money laundering and financing of terrorism knowledge, review their existing inspection model and introduce a risk-based supervisory model. The MFSA was praised for prudential enforcement action relating to AML/CFT against two banks but, at the same time, it was criticised on how it failed in giving the same banks a fit and proper check before being licensed. It was therefore proposed that the MFSA should completely revamp its operating model. The report, however, praised the MGA for carrying out ongoing screening on individuals with a known connection to licensees, to prevent criminals and associates from owning or controlling casinos and online gambling. The MER proposed that the MFSA should adopt the same approach taken by the MGA. The report further noted that there are no specific pieces of legislation regulating lawyers, DPMS and real estate agents.

Significant efforts by the competent authorities are being made to address the above-mentioned shortcoming:

- The FIAU is working on guidance for Banks and Financial Institutions as well as guidance for CSPs;
- Developments of the CASPAR software, an automated multi-functional data collection tool used by the FIAU to gather and analyse information from subject persons;
- In relation to the licensing of financial institutions by the MFSA, appropriate risk mitigation techniques have been introduced in the authorisation process with respect to applications by banks with limited ownership structures;
- The MFSA is working on a project to bring itself in line with the MGA with regard to ongoing adverse media and UN sanctions screening to prevent criminals and their associates from owning or controlling FIs and DNFBPs;
- Inter-relationship between the FIAU and the MFSA is currently being internally defined by a set of draft internal guidelines that have been discussed with the FIAU. This will ensure greater alignment of the MFSA anti-money laundering and countering of financing of terrorism supervisory model with the FIAU risk and supervisory model and the National Risk Assessment;
- The FIAU has significantly increased its staff. A re-structuring of its Compliance Section is finalised and so is a change in the supervisory strategy, all of which is supported by frequent and ongoing training and updating. The MFSA Financial Crime Compliance Unit has been set up and is executing inspections, while the MGA has also increased its AML executives;

- The FIAU finalised a change in its risk assessment methodology, finalised the supervisory manual and is in the finalisation stage of updating the enforcement process;
- Amendments to the Prevention of Money Laundering Act (PMLA) were forwarded to the Ministry for Finance and Financial Services to give the power to the FIAU to be able to publish imposed pecuniary penalties, even if the said penalties have been appealed in front of the Courts (i.e. even if not yet final and due). Furthermore, the FIAU will imminently engage with the Office of the Attorney General to seek the possibility of revising the provisions regulating the related appeals procedure.

IO.4 - Preventive measures – Rated Moderate

The understanding of money laundering and the financing of terrorism risks varied across sectors. Banks demonstrated a good understanding of the risks they are exposed to. However, some non-bank Financial Institutions (FIs) and Designated Non-Financial Business and Professions (DNFBPs) were less clear in their understanding related to the money laundering risks. Most banks and FIs demonstrated good understanding of their AML/CFT obligations and this was generally also evident amongst DNFBPs. FIs and DNFBPs have appropriate Custom Due Diligence (CDD) and ongoing monitoring in place. However, the quality of CDD exerted was questioned due to the recent cases identified in Malta. The report showed positive comments with the identification of Politically Exposed Persons (PEPs) at onboarding and thereafter, and on the fact that Malta does not distinguish between local and foreign PEPs. However, gaps were identified amongst FI's and DNFBPs as to what gives rise to filing a Suspicious Transaction Report (STR) since, although the number of STRs received is steadily growing, reporting is still considered to be low, especially compared to the inherent risks of those sectors. The MER report consequently recommended that authorities should take appropriate measures to raise the awareness of all FIs and DNFBPs of money laundering and financing of terrorism risks in Malta, and how to mitigate them, on their reporting obligations, as well as recent trends and typologies applicable to each sector. It further proposed that authorities should also enhance awareness in the DNFBPs sectors of the ongoing monitoring business relationships and reporting obligations covering TFS (Targeted Financial Sanctions). It was also proposed that Malta should amend legislation to address the technical deficiencies described in the TC Annex.

In order to address these recommendations, the following actions were taken:

- The FIAU is drafting Sector Specific Procedures for Banks and Financial Institutions. The Sector Specific Procedures for CSPs are at advanced drafting stages, and the internal first draft of Guidance Paper on Risks of the Property Sector (notaries and real estate agents) has been completed. These were all compiled in consultation with sector representatives. The first part of the training session on Revised Implementing Procedures has also been completed;
- The MFSA has published a cross-sectoral analysis of identified risks and weaknesses and expected controls. AML/CFT expected standards are included in this publication. The MFSA has also published its supervisory priorities for 2020, which include a focus on financial crime compliance and policy initiatives being taken to raise standards of CSP compliance. Plans for TCSP risk awareness sessions are also currently being planned;
- The MGA, jointly with the FIAU, is revising the Sector Specific Procedures for the Remote Gaming Sector as well as those for the land-based Casino. As part of its AML/CFT outreach strategy, the MGA participated in six forums during 2019. These allow the Authority to provide guidance to the industry on AML/CFT matters,

particularly in the gambling sector;

- The PMLA passed through the third and final reading by Parliament on 5 February 2020. This has been signed by the Hon. Maltese President and published on 7 February 2020 in the Government Gazette.

IO.5 - Legal persons and arrangements – Rated Moderate

In this IO, the authorities in Malta acknowledged in the National Risk Assessment that Maltese legal persons and legal arrangements can be misused for money laundering and financing of terrorism purposes, particularly through the misuse of beneficial ownership. It was also pointed out that there was lack of detailed knowledge amongst some of the authorities in question, especially on the way that such vehicles may be used to facilitate financial crime. During the Moneyval evaluation assessment, the Maltese authorities had already taken a multi-pronged approach to obtain beneficial ownership by the MFSA and the MBR. However, since during the onsite visit, the register of beneficial owners was still being populated retroactively, the effectiveness of such a mechanism could not be fully assessed by the evaluation team. The MER further criticised that potential fines for failing to submit beneficial ownership information are not considered effective, dissuasive and proportionate. The Moneyval report therefore concluded that Malta should conduct an assessment on how legal persons and legal arrangements could be misused for money laundering and the financing of terrorism, to ensure that the MBR has accurate and up-to-date beneficial ownership information and that it applies proportionate and dissuasive sanctions, striking off companies where required. The MER also proposed that the FIAU apply proportionate and dissuasive sanctions to gatekeepers failing to maintain up-to-date beneficial ownership information, as well as strengthen issues identified in the TC Annex to prevent the misuse of legal persons and arrangements.

In order to address these recommendations, the following actions were taken:

- The sectoral risk assessment on legal entities and legal arrangements and the related action plan has been completed (see IO.1). This sectoral risk assessment focuses on all legal entities and arrangements that are established or operating in Malta;
- The MFSA's UBO Register for trusts is in place and accessible to competent authorities. Furthermore, thematic inspections are carried out verifying data report to BO (Beneficial Ownership) register with a circular issued to communicate findings and expectations;
- The MBR took a robust approach and started striking off companies that were not compliant with the Companies Act for several years. By the end of March 2020, a total of 2,107 companies were struck off the register. The Registrar of Companies also addressed all companies that failed to submit information on beneficial ownership. The Registrar does not register new companies or notifications of existing companies if the beneficial owners are not disclosed. In addition to this, administrative penalties are imposed for companies which fail to file the beneficial ownership information or file it belatedly. Furthermore, the Registrar is conducting onsite inspections to verify that the information submitted is adequate, accurate and current. The Registrar is now imposing penalties as prescribed by law if discrepancies are found;
- The UBO Register is fully in place and directly accessible to the competent authorities;
- The Legal and International Affairs Team of the FIAU has been heavily involved in drafting a series of amendments to both the Prevention of Money Laundering Act (PMLA) and the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR). The said amendments were published through Act I of 2020 and Legal Notice 26 of 2020 respectively. While most of these amendments form part of the transposition process of Directive (EU) 2018/843, the amendments to the PMLA also addressed issues

that had been highlighted as requiring some form of intervention by the Moneyval assessors in Malta's Fifth Round Mutual Evaluation Report and in the Venice Commission report on Malta.

IO.6 - Financial intelligence – Rated Moderate

Although the FIAU and the Malta Police regularly obtain information from state authorities, subject persons, legal entities and natural persons, the institutions were criticised for using a manual information data retrieval system rather than an electronic direct access one. Furthermore, although the FIAU is considered to be an important source of financial intelligence for the Malta Police since it regularly sends information for investigation to the Anti-Money Laundering Police Unit, it was highlighted that this evidence rarely led to successful investigations which led to the eventual prosecution of suspects.

Moreover, the MER highlighted that locally tax evasion was dealt with administratively, thereby resulting in a lack of criminal prosecutions in the Maltese courts. The Commissioner for Revenue was criticised about the fact that the main focus is on tax collection and generally excludes the money laundering elements of such cases. The MER pointed out that the 2017 updated National Risk Assessment listed tax evasion as being one of the highest threats in Malta and therefore, the need for prosecuting tax evasion criminally was emphasised. On a more positive note, however, the MER noted that the FIAU performs its functions freely and objectively without undue influence. However, different factors called into question the FIAU's ability to perform its analytical function at full capacity. The report further noted that while the number of STRs recorded an upward trend, there is still an issue of under-reporting and non-reporting, especially from certain entities and sectors. The MER reported a general low level of awareness in the latter.

The Moneyval report also noted some concerns regarding the use of the STRs, mainly from the remote gambling sector concerning non-residents, as these cases are not considered sufficiently to identify possible ML taking place through Malta. The MER reported that there were few financing of terrorism related investigations by the Police, of which some were still ongoing at the time of the onsite visit by Moneyval. For this reason, they were not able to conclude on the effective use of financial intelligence by the authorities for the purposes of TF investigations.

Consequently, several recommendations were made in the MER report. It recommended that Malta should enhance the use of financial intelligence in criminal investigations of tax-related offences and take a more proactive approach. It further proposed that the Police, the FIAU and the MGA should make better use of the STRs, and that the Police and the FIAU should establish an effective feedback mechanism for the use of financial intelligence in investigations. The report also laid down recommendations for the FIAU to reconsider its analytical process and increase outreach, training, develop guidance and communicate recent typologies for subject persons to increase their awareness and improve both the quantity and quality of STRs received. Additionally, the MER recommended that the FIAU should ensure it has direct access to the databases it requires and should establish centralised databases or cash reporting requirements. This should be undertaken in addition to enhancing its human and technical resources to enable a more effective operational and strategic analysis.

Positive actions aimed at addressing the recommendations were:

- The FIAU has signed a number of MoUs with various competent authorities which will facilitate more effective collaboration. It is also reported that currently other MoUs are being discussed and drafted. In addition, the FIAU and the Malta Police have reported

a substantial increase in capacity building, particularly in the aspect of human resources. There was also a reported increase in the use of financial intelligence;

- The FIAU database has been amended to include additional statistical data on the feedback which could be extracted when required. Collaboration on the matter is in place and effective;
- The FIAU analytical process is underway. Discussions at top management level have already started and the FIAU is currently in the process of developing a policy for intelligence analysts as a guidance for their analysis;
- The FIAU has acquired direct access to the Business Objects database of the Commissioner for Revenue, and for the Trusts Ultimate Beneficial Ownership Register (TUBOR) held by the MFSA. Additionally, the direct access which the FIAU has to the Malta Business Directory has been enhanced with searches that could be carried out on the Ultimate Beneficial Owners and Reverse Names Search. Furthermore, it holds direct access to Identity Malta and Transport Malta;
- The FIAU has been assigned responsibility for the Central Bank Account Register. Talks with the banks have already been concluded and the developers are currently developing the software;
- The FIAU is in the process of adopting the GoAML Intelligence database which includes the workflows of all STRs (files) received by the FIAU;
- As per IO.4, the FIAU is drafting Sector Specific Procedures for Banks and Financial Institutions, the Sector Specific Procedures for CSPs being at advanced drafting stages, and the internal first draft of Guidance Paper on Risks of Property Sector (notaries and real estate agents) completed. These were all compiled in consultation with sector representatives. The first part of the training session on Revised Implementing Procedures has also been completed.

IO.7 - Money laundering investigation and prosecution – Rated Low

In this IO Malta obtained a low rating because money laundering is mainly investigated together with the predicate offence, and parallel financial investigations are not conducted on a systematic basis but rather on a case-by-case basis, giving the impression that money laundering is not a priority for the Maltese authorities. This was emphasised by the low number of money laundering cases which the Maltese authorities reported. The report concluded that money laundering investigations and related prosecutions do not appear to be in line with the country's risk profile, and that legal entities and legal arrangements are not competent enough to investigate complex money laundering cases due to their limited resources. It therefore recommended that the Malta Police be reinforced with both human and technical resources to tackle complex money laundering cases. It further proposed to develop a comprehensive anti-money laundering strategy for investigation, to eliminate any obstacles for pursuing criminal investigation for tax evasion (rather than a mere administrative offence), and to consider separating the role of the Police as an investigative and prosecutorial authority.

In order to address these recommendations, the following actions were taken:

- The new State Advocate was appointed in December 2019 thus giving the opportunity for the Office of the Attorney General to take over the prosecution from the Malta Police;
- The Malta Police set up a New Anti-Money Laundering Unit. There is an increased emphasis on human resources and EU funds of €1.5 million will be utilised in addressing the upskilling of human resources in the Malta Police;
- In November 2019, the first criminal case for tax evasion was prosecuted criminally in Court, setting a precedent for future cases.

IO.8 - Confiscation – Rated Low

The Moneyval evaluation team identified several issues in relation to the confiscation of criminal proceeds, which in Malta is based on the prerequisite of a criminal conviction. Although the Maltese Law Courts routinely order the confiscation of assets, several shortcomings in asset-tracing and the effective use of provisional measures (attachment/freezing orders) were identified. Malta was criticised for not having a policy objective and for criminal judgements ordering confiscation having been successfully challenged and overturned in the Civil Courts.

The MER further criticised Malta for not having performed asset-tracing abroad and failing to identify assets that may have been passed to third parties or concealed in complex corporate structures. This, in addition to hardly any money laundering or financing of terrorism investigations being carried out on cases of non-declaration of cross-border movements of cash. During the period of the report, the Asset Recovery Bureau (ARB) was a very new institution set up to take charge of the above deficiencies, which the report acknowledged. The report therefore recommended that the ARB become fully operational and that it develops into an efficient tool for the tracing and management of assets. It also recommended the introduction of a written policy and guidance on confiscation of proceeds of crime and instrumentalities, extending to the widest possible range of asset-tracing. The Moneyval report further recommended the analysis of cross-border cash declarations with regard to possible money laundering or financing of terrorism suspicion and proposed as well, consideration of the possibility of introducing a system for non-conviction-based confiscation to achieve better results in the confiscation of proceeds of crime.

In order to address these recommendations, the following actions were adopted:

- The ARB obtained approval for the recruitment of new staff in 2020. The ARB is also currently carrying out a legal screening session to ascertain gaps hindering its functions. It is also in the process of installing new secure systems of communication and requesting access to central registries. The Bureau has partnered with international entities for the disposal of confiscated assets. The ARB is also mapping all policies and procedures for Asset-Tracing and Recovery purposes;
- Consultation is currently being carried out with regard to non-conviction-based confiscation. The consultation is expected to lead to a draft document which would propose an extensive change of legislation. This will be presented for approval soon;
- As per IO.9 below, the Customs Department Anti-Money Laundering Unit is now fully operational and working in close cooperation with other counterparts such as the Malta Police Anti-Money Laundering Section and Counter Terrorism Financing Unit and the FIAU. The Customs Department has had a record-breaking year with €1,547,116 (66 cases) seized cash in 2019, up from €203,335 (10 cases) in 2018. The strong progress has been sustained into 2020 with €204,018 seized in 15 cases up to February 2020.

IO.9 - Financing of terrorism investigation and prosecution – Rated Moderate

Malta was praised for having a sound legal framework to fight the financing of terrorism. However, sanctions provided by law for financing of terrorism offences are not fully dissuasive, and although the Maltese authorities instituted a few financing of terrorism investigations, it was difficult to assess whether these are consistent with the country's risk profile as no up-to-date risk assessment was provided. The authorities were, however, praised for having improved their understanding of the threats and vulnerabilities and for having taken action to mitigate risks. It was recommended that Malta should make a more detailed analysis of its financing of terrorism risks, strengthen the border cash-control mechanisms and

accelerate ongoing initiatives such as the national financing of terrorism strategy, as well as raise the level of four years imprisonment regarding defying financing of terrorism sanctions, to a dissuasive level.

In order to address these shortcomings, the following actions were adopted:

- The Customs Department Anti-Money Laundering Unit is now working in close cooperation with other counterparts such as the FIAU and the Malta Police Anti-Money Laundering Section and Counter Terrorism Financing Unit. The Customs Department has had a significant outcome, with 66 cases resulting in €1,547,116 of seized cash in 2019 from just ten cases in 2018, when €203,335 was seized in cash. The strong progress has been sustained into 2020 with the reporting of 15 cases in the first quarter of the year, with the sum of cash seizures already at €204,018;
- The financing of terrorism sectoral risk assessment was completed as in IO.1. The sectoral risk assessment on the financing of terrorism was endorsed in July 2019 by the NCC members. This sectoral risk assessment has the objective of evaluating Malta's exposure to terrorism financing, improving the national understanding of the financing of terrorism risks (e.g. typologies and patterns), and identifying measures that would strengthen the countering of the terrorism financing regime. It will also help to address the updating of the National Risk Assessment later this year.

IO.10 - Terrorism financing preventive measures and financial sanctions – Rated Moderate

Malta was praised for having the Sanctions Monitoring Board (SMB) as the responsible body for the implementation of UNSCR and EU sanction regimes and for doing so without delay. However, weaknesses were identified when it comes to the immediate communication of the amendments to the UN lists of designated persons and entities to the subject persons. The Moneyval evaluation team was also satisfied with the level of understanding most of the FI's and DNFBPs demonstrated. However, there was concern that the screening approach adopted by some of the subject persons (especially DNFBPs) was deemed to be insufficient. It was also remarked that some subject persons showed confusion as to whether they were obliged to report to the FIAU or the SMB. The MER therefore proposed to conduct regular outreach to the private sector to enhance the awareness and understanding of their obligations. The MER also mentioned the aspect of Voluntary Organisations (VOs). It was remarked that although the Office of the Commissioner for Voluntary Organisations (OCVO) had identified the VOs which could potentially be vulnerable to abuse related to the financing of terrorism, non-enrolled VOs have not been analysed, and a risk-based approach to monitor the sector had not been developed and implemented. The report further proposed outreach to VOs and widening the scope of the persons scanned by the OCVO.

In order to address the recommendations, the following actions were taken:

- Legislation has been enacted allowing the direct applicability of sanctions pursuant to UNSCRs 1267/1989, 1988 and 1373, and communicated immediately to all subject persons immediately through email and publication on the SMB's website;
- Malta reinforced outreach to the subject persons through guidance notes issued by the SMB in October 2019. A Joint Economic Financial Sanctions Initiative (JEFSI) was established on 6 March 2020 to enhance public/private partnerships, as well as to mitigate money laundering and financing of terrorism risks, with a meeting held in this regard. Furthermore, 26 outreach activities have been carried out by the SMB during 2019 and up to March 2020. In addition, a total of 16 one-to-one sessions with company service providers (CSPs), lawyers, notaries and audit firms have been carried out during

2019 and up to March 2020. Furthermore, the SMB has participated in four conferences and seminars with the objective of raising local awareness;

- Since November 2019, enrolment of voluntary organisations (VOs) with the Office of the Commissioner for Voluntary Organisations (OCVO) has become mandatory. The OCVO reports that all VOs are individually scrutinised and analysed for any financing of terrorism abuse. Furthermore, media including newspapers, magazines and adverts are being scanned and scrutinised to identify potential VOs which are in operation but have not been registered;
- The sectoral risk assessment on legal entities, legal arrangements and VOs was completed as indicated in IO.1. This sectoral risk assessment was endorsed by the NCC members in July 2019. This risk assessment focused on all legal entities and arrangements that are established or operating in Malta.

The OCVO has developed a risk-based approach by classifying the VOs into five classes. The first three classes predominantly focus on criteria addressing the financing of terrorism risks:

- Very high - Regularly involved in the field of international development and humanitarian aid, ethnic-based organisations and the Diaspora group;
- High - Regularly applying for national and international funding to carry out their projects, regularly disburse money to Maltese missionaries working in the major world countries, and working locally with vulnerable groups which might be targeted by organised crime;
- High medium - Falls in Category '3' as per Subsidiary Legislation 492.01 of 2012 of the Laws of Malta; falls in Category '2' as per Subsidiary Legislation 492.01 of 2012 of the Laws of Malta, whose annual revenue exceeds €100,000;
- Medium - Occasionally works on projects in developing countries; occasionally supports financially the work of Maltese missionaries abroad; has not submitted their annual returns for the past three years;
- Low - Irregularly disburses money locally; irregularly disburses money abroad; falling under category '1' organisations.

IO.11 - Proliferation financing financial sanctions – Rated Substantial

The MER reported that the Sanctions Monitoring Board (SMB) has demonstrated sophisticated awareness on the implementation of Proliferation Financing (PF) related UN and EU sanctions regimes and PF related sanctions-evasion risks. It was also mentioned that Malta had ensured the implementation of UNSCRs 1718 and 1737 without delay. However, deficiencies were identified in the immediate communication of the amendments to the UN lists of designated persons and entities to the subject persons, as well as awareness among subject persons of their freezing and reporting obligations. There is a lack of adequate supervision of the implementation on UN TFS by the subject persons. As a result, the Moneyval report recommended that the SMB put in place a mechanism so that amendments to the list of designated persons and entities pursuant to UNSCRs 1718 and 1737 are communicated immediately to all subject persons. Furthermore, it proposed outreach to all subject persons in order to raise their obligations and understanding on the matter, and that Malta should ensure adequate coverage of TFS obligations in all supervisors' inspection programmes.

In order to address these recommendations, the following actions were taken:

- The SMB has launched a service through which amendments to international sanctions lists are communicated to subject persons immediately by email and directly on their website;

- To raise the awareness and understanding of the implementation of PF-related TFS obligations, including actions to be taken under the freezing mechanisms and reporting to the SMB, the Maltese authorities reinforced outreach to the subject persons through guidance notes issued by the SMB in October 2019.

Summary of Progress

Each IO is the responsibility of multiple Authorities as listed in Table 4. The situation in respect of the implementation of the Moneyval recommendations as at 31 March 2020, is shown in Table 3 (vide. Table 3 and Figure 3). Currently there are nine completed actions, that is, 15.5% were completed as shown in Table 3. A further 44 (75.9%) actions related to recommendations are in the progress phase, many of which are at an advanced stage. Also, as shown in Table 3, 22 of the actions categorised as ‘in progress’ are of an ongoing nature, and 22 are not continuous in nature. The recommendations that are currently pending amount to 5 (8.6%). Annex III presents a full list of the recommendations, including the status by each Authority, and whether each action is of an ongoing or not continuous nature.

Table 3. State of Play of Actions

	As at 31 March 2020	
	Actions	%
Completed	9	15.5%
In Progress	44	75.9%
<i>Ongoing once completed</i>	22	37.9%
<i>Not ongoing</i>	22	37.9%
Pending	5	8.6%
<i>Ongoing once completed</i>	2	3.4%
<i>Not ongoing</i>	3	5.2%
TOTAL	58	100.0%

Note: Figures may not add up due to rounding.

Figure 3. Current State of Play of Actions

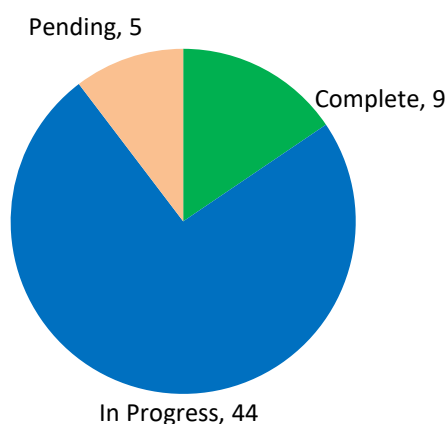


Table 4. Showing under which Authority each IO falls

	IO1	IO2	IO3	IO4	IO5	IO6	IO7	IO8	IO9	IO10	IO11
Accountancy Board	x										
Asset Recovery Bureau								x			
Central Bank of Malta	x					x					
Commissioner for Revenue	x					x	X				
Customs Dept.						x		x	x		
Financial Intelligence Analysis Unit	x	x	x	x	x	x			x		
IAID	x										
Identity Malta	x				x						
Malta Business Registry	x				x						
Malta Financial Services Authority	x		x	x	x						
Malta Gaming Authority	x		x	x		x					
Malta Police	x	x				x	X	x	x		
National Statistics Office	x										
MEIB			x								
MJCL			x				X	x			
NCC	x				x	x			x		
Office of the Attorney General		x				x	X	x	x		
Officer for the Commissioner of Voluntary Organisations	x									x	
Parliamentary Secretary for Property			x								
Sanctions Monitoring Board				x						x	x
Security Services	x								x		

4th AMLD Assessment and 5th AMLD Implementation

The NCC has recently finished coordinating the submissions on the effectiveness of the implementation of the fourth AMLD. A report has been submitted to the European Commission and this was due to be followed by an onsite visit in the first quarter of 2020. However, due to the unprecedented circumstances of the COVID-19 pandemic, this has been postponed. Malta has also finished the drafting of legislation for the implementation of the fifth AMLD. This Directive responds to these risks through several key amendments, partly caused by the Swiss leaks, Panama papers, and the bank scandals in Latvia, Estonia and Denmark. This Directive, which entered into force on 9 July 2018, was due for implementation by the Member States by 10 January 2020 and builds on the previous fourth AMLD instruments. The Directive aims to tighten the obligations placed on the institutions under the existing rules, including an emphasis on beneficial ownership records and puts greater emphasis on sanctions for violations, among other changes.

The Legal and International Affairs Team of the FIAU was heavily involved in drafting a series of amendments to both the Prevention of Money Laundering Act (PMLA) and the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR). The said amendments were published through Act I of 2020 and Legal Notice 26 of 2020 respectively. While the bulk of the said amendments form part of the transposition process of Directive (EU) 2018/843 (the 5th AMLD or anti-Money Laundering Directive), the amendments to the PMLA also addressed issues that had been highlighted as requiring some form of intervention by the Moneyval assessors in Malta's Fifth Round Mutual Evaluation Report and in the Venice Commission report on Malta.

Amendments to the PMLA addressing Moneyval's and the Venice Commission's recommendations include:

- Setting clear timelines within which an appeal against an administrative sanction imposed by the FIAU is to be heard and decided;
- Rendering supervision efforts to be more efficient and hence more effective;
- Implement changes in the way the publication of penalties takes place;
- Making the publications regime more effective, while at the same time respecting the principle of proportionality;
- Introducing new authorities that sit on the FIAU Board of Governors – the Malta Gaming Authority and the Commissioner for Revenue. The Office of the Attorney General is no longer represented on the FIAU Board of Governors.

The FIAU has now initiated the second phase of this exercise: addressing the Moneyval report recommendations in the TC annex made in relation to the legal provisions found under the PMLFTR.

Outreach and Training Initiatives by the NCC

The NCC has been facilitating training in the combating of money laundering and terrorism financing. In the year covering this report, outreach was carried out with the University of Malta, to discuss the introduction of modules focusing on anti-money laundering and countering terrorism financing, introduced in related degrees including law, forensic accountancy, criminology and banking.

- In September 2019 the NCC, in collaboration with the US Embassy, has provided a one-week training in Financial Investigative Techniques for 40 officials from different competent authorities.



Photo: DOI - Anthony Sultana

- In December 2019, the NCC organised a seminar aimed at providing a platform for the competent authorities to participate in discussions and demonstrate their plans of action, which encouraged coordination among the responsible entities.



Photo - DOI - Reuben Piscopo

- In February 2020, the NCC organised training related to the combating of terrorism financing delivered by UK foreign experts, which was attended by 48 officials from various competent authorities.



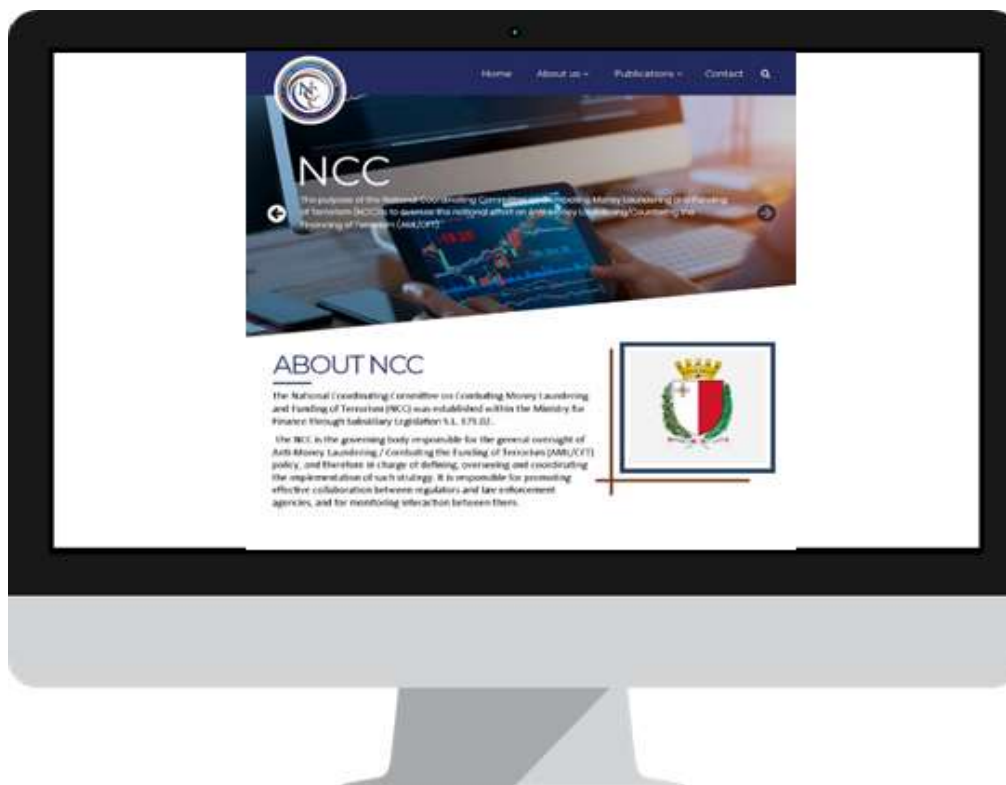
PHOTO : DOI - Kevin Abela

- Another session is also envisaged and is currently being planned for members of the judiciary in September 2020. This training will provide a platform for such members to be exposed to ways by which the foreign courts tackle money laundering and financing of terrorism cases, and to share ideas with their foreign counterparts.
- The officials of the NCC are also participating in foreign conferences including the EGMLTF and are attending the Moneyval Plenary.
- Further to the training organised by the NCC, the various competent authorities have carried out their own extensive training and outreach sessions. A full list of all such seminars and conferences held in 2019 and the first two months of 2020 is provided in Annex IV. Despite efforts by authorities to continue their drive with training and outreach, all activity came to a sudden halt due to the Covid-19 situation. It is the intention of the authorities to resume training and outreach as soon the go-ahead from the Health Authorities is given.

Launch of the New NCC Website

Recently the NCC Secretariat launched its own website. The website aims to provide a platform for demonstrating the useful work which is being done in the fields of combating money laundering and terrorism financing, not only by the NCC but also by all competent authorities. The website offers a point where both the public and private sectors have access to the work done but can also use the website for any clarifications needed by using the contact channels available. The website, which became operational in February 2020, gives the NCC an opportunity to provide news or details about the work, progress and work outcomes, while for the public, it is an opportunity to increase awareness of the work carried out by the NCC.

In addition to information on the roles and responsibilities of the NCC, the annual return reports, the key results of the sectoral risk assessments on TF, LEAs and VOAs, and on VFAs, as well as their respective action plans, the website makes available newsletters of several competent authorities detailing their achievements through their hard work and other ancillary documents. The NCC website is available at www.ncc.gov.mt.



The Way Forward

Update of the National Risk Assessment

In the course of 2020, the NCC will be coordinating and compiling a revised and updated National Risk Assessment. The National Risk Assessment will be based on the feedback which the NCC will be receiving from all the relevant entities in order to have a holistic picture of the national risks, with a view to helping to provide effective mitigation.

Meetings were already set up with the National Statistics Office in order to have a comprehensive statistical database that can cater to the statistical needs of the National Risk Assessment. However, the NCC Secretariat staff is also collecting statistics from all relevant competent authorities to compose a holistic and realistic current picture. Furthermore, expert consultant Mr Yehuda Schaffer has been engaged for this year to offer his consultancy services in relation to Moneyval recommendations and also to advise on the revision and update of the National Risk Assessment.

Engagement of Foreign Consultancy

Since the establishment of the NCC in April 2018, the committee has engaged foreign expertise to assist in the implementation of its functions. The NCC engaged Messrs Oliver Wyman Consultants who had also offered their services to the Maltese Government in conducting the National Risk Assessment which was last updated in 2017. Various consultants, engaged with Oliver Wyman, assisted with the three sectoral risk assessments which were completed and endorsed this year. Messrs Oliver Wyman is an international management-consultancy firm of international repute with a large focus on banking and financial services. Several bilateral and multilateral meetings were held in order to discuss the risk assessments and to complete the whole sectoral risk assessments.

Engagement of Consultant Mr Yehuda Schaffer

Mr Yehuda Schaffer is an independent consultant. In April 2018 he retired from 30 years' service with the Israeli Government pursuing a legal career where he specialised in financial crime issues, combined with extensive international experience in the application of the FATF standards. He was the founder and head of the Israeli FIU and served as the deputy state attorney (financial crime) in the Israeli prosecution service. Mr Schaffer has participated in several AML/CFT mutual evaluations. He helped several jurisdictions on various operational and legal issues, conducting national risk assessments and training investigators, prosecutors and members of the judiciary.

The plan for his assistance in dealing with the recommendations of the MER report is shown hereunder (vide. Table 5):

Table 5. Schedule of Duties

IO	Recommended action	Potential activity	Days	KPI
IO1				
	Improve the national understanding of risks, threats and vulnerabilities	Risk data gathering workshop Legal persons' risk workshop TF risk workshop Fintech risk workshop	10	-Updated criminal Threat assessment -Updated Legal persons' risk assessment -Updated TF risk assessment -Fintech risk assessment -Malta specific typology papers
	Update policies and action plan in line with risks	Action plan workshop High level policy meeting	4	Updated prioritised action plan
IO6				
	Enhance use of Financial intelligence	One-week Workshop with investigators working on actual STRs	9	Number of successful STR based investigations
	Improve FIU Feedback to LEA	Police – prosecutor-FIU day workshop	2	Feedback guidelines
	Improve FIU analysis	Three-day high level FIU workshop	6	Updated analysis manual
	STR Outreach	3 Public/private day workshops with different sectors	5	Updated STYR guidelines/typologies
IO7				
	High end ML and confiscation Training	3 workshops for investigators (Stand-alone ML, financial investigations, seizure and confiscation) 2 Workshops for prosecutors and magistrates (ML with emphasis on stand alone, confiscation)	10 10	Increase in Number of quality cases
	Development of ML cases in line with risk	Consulting police/prosecutors on actual ML cases	10	Increase in number of high-quality cases and confiscation
	Strategy	One-day workshop with all stakeholders	4	Strategy paper

IO8	Policy paper	One-day workshop with all stakeholders	4	Policy paper
	ARB effectiveness	Three-day training + workshop	5	ARB guidelines
	Cross border cash suspicions	One-day workshop with all stakeholders	3	Guidelines
IO9				
	Risk assessment	Risk data gathering workshop Legal persons' risk workshop TF risk workshop Fintech risk workshop		-Updated criminal Threat assessment -Updated Legal persons' risk assessment -Updated TF risk assessment -Fintech risk assessment -Malta specific typology papers
	Cross-border cash	One-day workshop with all stakeholders		Guidelines
	Strategy	One-day workshop with all stakeholders	3	CTF/ TF Strategy

Consultation in preparing and presenting Malta's case before the FATF ICRG committee as part of the ICRG process:

Activity	Estimated number of Days	KPI
Preparation of POPR, comments on the Draft POPR	5	High-quality POPR presented to ICRG
Mock interview with all participants in preparation for the committee meeting	2	Improve appearance of Maltese representatives before ICRG committee
Onsite last-minute consultancy in Paris	2	Avoid grey list

The Current Newly Emerged Norm: The Issue of the COVID-19

The unprecedented circumstances of the COVID-19 pandemic have brought about a new and harsh reality which the competent authorities are currently facing. The imposed restrictions have created disruptions in the normal working environments of the competent authorities. At present, the supervisory authorities are engaged in managing day-to-day matters. The current situation has unearthed new risks. It is also turning known risks into possible further complications as the control structures in place may find it difficult to operate efficiently.

It is therefore vital that all competent authorities assess the emerging risks and challenges created by these radical adjustments. The new circumstances impose on all competent institutions the need to carry out regular risk assessments in order to understand the dynamic circumstances and address the risks and challenges in an all-inclusive manner. This method would enable all competent authorities to assess risks based on dynamic modifications in the ever-changing conditions of the economic environment. The identification and management of risks need to involve a process which considers actions and creates guidance from regulators in order to react to the organisations' crisis response. This would involve the institutions' effective deployment of their resources to manage the emerging risks and challenges in this dynamic environment. As changes occur, institutions would need to review the ever-changing adjustments to be able to formulate ad hoc action plans as necessary.

During this period of uncertainty, the authorities are constantly facing hard decisions in what needs to be addressed and the priority areas to focus on. Thus, there is a need for decisions to be made in the face of the changing environment, and there is a need for flexibility so that all institutions manage to achieve the required effectiveness. Having all the competent authorities implementing regular risk evaluations of the changing environment and circumstances would be extremely important for these authorities to provide an appropriate and timely response. This would not only enable all regulators to address all identified risks, but also to offer any required support to operators to adapt to and weather the current circumstances.

Risks are constantly evolving. As a National Coordinating Committee on anti-money laundering and counteracting terrorism financing, there is a constant need to remain vigilant to newly-emerging money laundering and terrorism financing risks and to ensure that there is an effective outreach for information so that the competent authorities would continue to effectively address and mitigate risks as well as to detect and report suspicious activity. The COVID-19 pandemic has generated various government responses, ranging from social assistance and tax relief initiatives to travel restrictions. If these are not closely monitored, such measures may provide new opportunities for criminals and terrorists to generate and launder illicit proceeds. New research by the FATF (2020) is already indicating that with the COVID-19 pandemic, there is increased use of online schemes and/or virtual assets as a layering method to launder proceeds. Criminals are finding ways to exploit temporary issues in internal controls caused by remote working situations and to bypass the customer due diligence measures. There are also potential increases in transactions not in line with customers' profiles, the use of the informal economy to provide financing in a situation of closure of traditional gatekeepers and increases in bulk-cash movements.

Internationally, there are also instances where there is the misuse of legal persons to obtain and subsequently launder stimulus funds fraudulently, taking advantage of legitimate businesses, or to hide funds through the insolvency regime. Furthermore, there are cases where criminals and terrorists are using the pandemic to move into new cash-intensive and high-liquidity lines

of business, including for the laundering of proceeds. All this highlights the need for continued vigilance, coordination and enhanced supervision in order to be able to address and mitigate such emerging risks and challenges.

Annex I

Meetings Table

Workblock	Date	Time
1	Friday, 12th July 2019	12:30hrs-14:30hrs
1	Tuesday, 30th July 2019	09:00hrs-11:00hrs
1	Thursday, 19th September 2019	09:00hrs-10:30hrs
1	Monday, 11th November 2019	09:00hrs-11:00hrs
1	Tuesday, 10th December 2019	09:00hrs-11:00hrs
1	Thursday, 19th December 2019	09:00hrs-10:30hrs
1	Monday, 9th March 2020	09:00hrs-12:00hrs
3	Monday, 13th May 2019	12:45hrs-14:00hrs
4	Monday, 21st October 2019	10:30hrs-11:30hrs
6	Tuesday, 4th June 2019	09:00hrs-10:30hrs
6	Wednesday, 19th June 2019	10:00hrs-11:30hrs
6	Thursday, 27th June 2019	13:00hrs-14:30hrs
6	Wednesday, 3rd July 2019	11:30hrs-12:00hrs
6	Monday, 30th September 2019	10:00hrs-11:00hrs

Annex II

National AML/CFT Action Plan Progress

No	Overall Progress	WB	Action	Recommendation
1	Complete	1 (i)	1	Establish a National Coordination Committee
2	Complete	1 (i)	2	Establish a Secretariat to support the NCC
3	Continuous	1 (i)	3	Oversee and coordinate implementation of AML/CFT Strategy:
		1 (i)	3.1	Secretariat to coordinate implementation and escalate issues
		1 (i)	3.2	NCC to oversee progress made and troubleshoot obstacles encountered
		1 (i)	3.3	NCC to publish annual report of progress against strategy
4	Continuous	1 (i)	4	Prepare for and coordinate MONEYVAL evaluation report
5	Complete	1 (i)	5	Create NCC sub committees in charge of specific areas
6	Complete	1 (i)	6	Coordinate and publish thematic risk assessments:
		1 (i)	6.1	National risk assessment
		1 (i)	6.1	Sectoral risk assessments
		1 (i)	6.3	Legal entities and legal arrangements
		1 (i)	6.4	Assets of Libyan citizens
		1 (i)	6.5	Terrorism and terrorism financing
7	In Progress	1 (i)	7	Introduce coordination mechanism for proliferation finance
8	In Progress	1 (i)	8	Set up a common database to collect AML/CFT statistics
9	Continuous	1 (i)	9	Involve private sector by creating a public-private partnership
10	In Progress	1 (i)	10	Update NRA and AML/CFT strategy in 2020
11	Continuous	2 (ii)	1	Define AML/CFT supervisory framework and target operating model (e.g. supervisory, strategy, internal, policies & procedures, committee government)
12	Continuous	2 (ii)	2	Strengthen MFSA AML/CFT supervisory function:
		2 (ii)	2.1	Split out AML/CFT unit from Enforcement & inc under Supervisory Council
		2 (ii)	2.2	Develop and implement entity-level risk assessment tools
		2 (ii)	2.3	Strengthen AML/CFT supervisory capabilities
13	In Progress (Eventually Continuous)	2 (ii)	3	Strengthen MGA AML/CFT supervisory function:
		2 (ii)	3.1	Formalise AML/CFT policies and procedures
		2 (ii)	3.2	Conduct 40-50 on-site inspections of higher risk entities
		2 (ii)	3.3	Develop and implement entity-level risk assessment tool
		2 (ii)	3.4	Draft and issue sectoral guidance (jointly with FIAU)
14	Continuous	2 (ii)	4	Increase supervisory capacity and skills:
		2 (ii)	4.1	Increase FIAU, MFSA and MGA staff
		2 (ii)	4.2	Train FIAU, MFSA and MGA staff
15	In Progress (Eventually Continuous)	2 (ii)	5	Review the AML/CFT obligations applicable to DNFBNs:
		2 (ii)	5.1	Require at least registration of all subject persons (e.g. real estate agents) and maintain complete and up-to-date register of subject persons
		2 (ii)	5.2	Implement AML/CFT training requirements to obtain and maintain licensing/registration
		2 (ii)	5.3	Ensure communication of AML/CFT obligations to all sectors (e.g. boats and aircraft)
16	In Progress	2 (ii)	6	Revise penalties and improve enforceability of AML/CFT obligations and sanctions (administrative and criminal penalties)
		2 (ii)	6.1	Amend PMLA to grant Finance Minister right to amend rules & regulations
		2 (ii)	6.2	Identify legislation amendments required
		2 (ii)	6.3	Amend Legislation
		2 (ii)	6.4	Carry out educational campaign
		2 (ii)	6.5	Assess need for wider range of sanctions and take action to legally increase range available
17	Complete	2 (ii)	7	Enhance assessment of ML/TF risks associated with the financial sector and conduct sector and product specific risk assessments and analysis (e.g. crypto currencies)
		2 (ii)	7.1	Set out scope
		2 (ii)	7.2	Develop methodology for risk assessments and analysis
		2 (ii)	7.3	Conduct sector and product specific risk assessments and analysis
18	Continuous	2 (ii)	8	Increase supervisory outreach to industry on AML/CFT obligations particularly through issuing sector specific guidance (i.e. on implementing procedures)

		2 (ii)	8.1	Identify areas and sectors requiring enhanced outreach
		2 (ii)	8.2	Set out plan and publish schedule
		2 (ii)	8.3	Prepare activities and provide guidance
19	In Progress (Eventually Continuous)	2 (ii)	9	Conduct targeted reviews with financial intermediaries on:
		2 (ii)	9.1	Strategy to reduce the use of cash while ensuring financial inclusion
		2 (ii)	9.2	Assessment of the use and ML/TF risks of transferable cheques
20	In Progress (Eventually Continuous)	2 (ii)	10	Review and strengthen AML/CFT capabilities within government:
		2 (ii)	10.1	Review AML/CFT controls esp. For payments (e.g. CfR, Courts, Identity Malta)
		2 (ii)	10.2	Ensure coordination with FIAU (e.g. as subject person or MoUs)
		2 (ii)	10.3	Implement ongoing checks
21	In Progress (Eventually Continuous)	2 (ii)	11	Increase breadth of supervision through thematic reviews (e.g. CDD, risk assessment, transaction monitoring)
		2 (ii)	11.1	Set out scope
		2 (ii)	11.2	Develop methodology for thematic reviews
		2 (ii)	11.3	Conduct thematic reviews
22	Complete	2 (ii)	12	Address gaps in transposition of 4AMLD into Maltese law
		2 (ii)	12.1	Conduct gap analysis of current Maltese law against the 4AMLD requirements
		2 (ii)	12.2	Amend legislation
		2 (ii)	12.3	Update procedures and documentation to reflect changes
23	Continuous	3 (iii)	1	Increase FIAU staff capacity and skills (esp. hire and train staff)
24	In Progress	3 (iii)	2	Provide the FIAU with direct access to relevant databases:
		3 (iii)	2.1	Tax databases (esp. Business Object)
		3 (iii)	2.2	Register of companies
		3 (iii)	2.3	Land registry
		3 (iii)	2.4	Public registry
		3 (iii)	2.5	Vehicle registration database (e.g. shipping, aircrafts)
		3 (iii)	2.6	Identity Malta database (incl. previously granted)
25	In Progress (Eventually Continuous)	3 (iii)	3	Enhance IT capabilities for operational analysis:
		3 (iii)	3.1	Automate STR collection and filtering (e.g. risk scoring) with a dedicated tool and develop common STR taxonomy to optimise ability to search
		3 (iii)	3.2	Enhance strategic and operational analysis with a specialised analytical tool
		3 (iii)	3.3	Improve workflow management and coordination with law enforcement
26	Continuous	3 (iii)	4	Further improve feedback loop with private sector
27	Complete	3 (iii)	5	Develop approach to and initiate strategic analyses (e.g. Libyan deposits at Maltese banks)
28	Continuous	3 (iii)	6	Require and train all government entity employees to file STRs or contact the FIAU (e.g. Through MoU) in case of suspicious activity (e.g. CfR, Identity Malta)
29	Complete	3 (iii)	7	Increase coordination between FIAU and CfR (e.g. to compare income data with activity)
30	In Progress (Eventually Continuous)	4 (iv)	1	Review organisation and increase ECU capacity and skills:
		4 (iv)	1.1	Review organisation (e.g. MLU-specific unit)
		4 (iv)	1.2	Implement Staff development strategy with increase and training of staff
		4 (iv)	1.3	Increase ECU budget for external experts
		4 (iv)	1.4	Improve management and effectiveness of tools (e.g. link i2 to other databases, hire' data operators' to manage databases)
31	In Progress (Eventually Continuous)	4 (iv)	2	Separate investigatory and prosecutorial functions
		4 (iv)	2.1	Assess options, decide on location and define target operating model
		4 (iv)	2.2	Amend legislation
		4 (iv)	2.3	Set up governance structures and processes
		4 (iv)	2.4	Establish investigation capacity within the Police office
32	In Progress (Eventually Continuous)	4 (iv)	3	Improve effectiveness of investigation and prosecution
		4 (iv)	3.1	simplify legal process so that ML/TF cases systematically go to specialised magistrates/judges
		4 (iv)	3.2	Identify and train specialised magistrates/judges on financial and economic crime
		4 (iv)	3.3	Formalise and increase use of experts (e.g. forensic accountants)
33		4 (iv)	4	Improve efficiency of investigation and prosecution
		4 (iv)	4.1	Allow for investigation orders to be delivered electronically

	In Progress (Eventually Continuous)	4 (iv)	4.2	Identify opportunities to reduce legal timelines to conclude cases in more time-efficient manner
34	In Progress	4 (iv)	5	Define serious/major crimes to help prioritise investigation and prosecution efforts
35	In Progress (Eventually Continuous)	4 (iv)	6	Improve collection of statistics on ML/TF crimes investigated, prosecuted and convicted.
		4 (iv)	6.1	Set up process to collect statistics on ML/TF crimes investigated, prosecuted and convicted
		4 (iv)	6.2	Gather data
		4 (iv)	6.3	Agree on information sharing and data dissemination activities
		4 (iv)	6.4	Launch data gathering activity
36	In Progress	4 (iv)	7	Increase focus on investigating and prosecuting tax crime
		4 (iv)	7.1	FIAU and Police to focus on identifying professionals enabling tax crimes
		4 (iv)	7.2	Police and CfR to agree on decision-making between criminal and civil route for tax offences
		4 (iv)	7.3	Police to increase number of investigations and criminal prosecutions for tax crimes
37	In Progress (Eventually Continuous)	4 (iv)	8	Review AML/CFT controls within Customs Department
		4 (iv)	8.1	Provide AML/CFT training to Customs staff
		4 (iv)	8.2	Review effectiveness of cash declarations
		4 (iv)	8.3	Increase involvement of Customs in controls at sea terminals
		4 (iv)	8.4	Enhance exchange of information between Customs and FIAU (e.g. as subject in person)
38	Complete	5 (v)	1	Establish Asset Recovery Bureau (ARB):
		5 (v)	1.1	Establish the ARB (pass law and create legal entity)
		5 (v)	1.2	Define ARB organisational and operating model
		5 (v)	1.3	Operationalise ARB (e.g. hire staff, implement tools)
		5 (v)	1.4	Develop mechanisms for domestic coordination (e.g. FIAU, Police) and international cooperation (e.g. with foreign AROs)
39	In Progress (Eventually Continuous)	5 (v)	2	Enhance ARB (once established):
		5 (v)	2.1	Assessment of effectiveness of ARB in its first year
		5 (v)	2.2	Definition of improvement plan
		5 (v)	2.3	Implementation of development plan
40	Complete	6 (vi)	1	Amend existing MBR legislation to include BO information for legal entities:
		6 (vi)	1.1	Pass legislative amendments
		6 (vi)	1.2	Implement requirement for all new companies
		6 (vi)	1.3	Design backfilling process and plan transition period
41	Complete	6 (vi)	2	Create a BO database of legal arrangements
42	In Progress (Eventually Continuous)	6 (vi)	3	Establish a process to ensure BO database is accurate and up to date:
		6 (vi)	3.1	Increase penalties for non-compliance
		6 (vi)	3.2	Design controls to ensure accuracy
43	In Progress (Eventually Continuous)	6 (vi)	4	Strengthen transparency and supervision of voluntary organisations:
		6 (vi)	4.1	Amend legislation (e.g. ensure operational independence, enhance powers)
		6 (vi)	4.2	Enhance capacity of Commissioner of Voluntary Organisations
		6 (vi)	4.3	Enhance database on voluntary organisations to be comprehensive and include complete data
		6 (vi)	4.4	Raise awareness of voluntary organisations on AML/CFT (e.g. training & guidance)
44	In Progress (Eventually Continuous)	6 (vi)	5	Enhance effectiveness and functionality of Land Registry:
		6 (vi)	5.1	Expand registry's scope, content and analytical capabilities
		6 (vi)	5.2	Review and update ownership data
45	Continuous	7 (vii)	1	Review and simplify process for targeted financial sanctions:
		7 (vii)	1.1	Pass law enabling automatic update of sanctions list (ongoing)
		7 (vii)	1.2	Define and document procedures to manage listing and un-listing of national list of designated persons
		7 (vii)	1.3	Enhance cooperation with FIAU
		7 (vii)	1.4	Enhance cooperation with MFSa and MGA

		7 (vii)	1.5	Continue to improve collection of statistics on the effectiveness of the sanctions monitoring process (ongoing)
46	In Progress (Eventually Continuous)	7 (vii)	2	Develop and implement an international coordination framework for each supervisor (e.g. coordination with foreign supervisors regarding inspections, group supervision)
47	In Progress (Eventually Continuous)	7 (vii)	3	Strengthen and formalise procedures and coordination with regards to sending and responding to MLAs:
		7 (vii)	3.1	Formalise coordination on MLA procedures
		7 (vii)	3.2	Introduce standard MLA review procedure, to determine whether a crime was committed in Malta [TBC]
48	In Progress	7 (vii)	4	Take a leading role in international fora, especially in areas of local expertise (e.g. gaming, citizenship programme)

Annex III

Moneyval Progress Table

IO	Rec No	Recommendation	Overall Progress	Responsible Authority	Progress by Entity	Action Ongoing or Not Ongoing	Reason for Action being Ongoing vs Not Ongoing
1	1	Malta should, as a matter of priority take action to improve national understanding of risks, threats and vulnerabilities, by a) updating statistical data to inform the analysis of ML/FT risks;	In Progress	NCC	In Progress	Not Ongoing	The statistics that are being collected are for the 2020 National Risk Assessment
				NSO	In Progress	Ongoing	The collection and analysis of statistics is not a one-off process
				FIAU	Complete	Ongoing	Statistical Data should be kept updated.
1	2	Malta should, as a matter of priority take action to improve national understanding of risks, threats and vulnerabilities, by b) analysing the main predicate offences associated with foreign proceeds of crime;	Pending	FIAU	Pending	Ongoing	FIAU are required to carry out this analysis for the first time. However, the assessment and understanding of risks is a continuous exercise, as risks evolve and change. Such a risk assessment would need to be updated on a regular basis.
				Police	Pending	Ongoing	MLA's and other information/intelligence will continue to be gathered on an ongoing basis, as part of the police intelligence gathering process.
1	3	Malta should, as a matter of priority take action to improve national understanding of risks, threats and vulnerabilities, by c) conducting a detailed analysis of the threat from local organised crime groups (OCGs);	In Progress	NCC	Complete	Not Ongoing	Upon endorsement of the Sectoral Risk Assessment on Terrorism Financing
				Police	In Progress	Ongoing	The process of prioritization of work based on risks and threats is ongoing
				MSS	In Progress	Ongoing	Threat assessment is on a yearly basis
1	4	Malta should, as a matter of priority take action to improve national understanding of risks, threats and vulnerabilities, by d) conducting a detailed analysis of the risks	In Progress	NCC	Complete	Not Ongoing	Upon endorsement of the Sectoral Risk Assessment on Legal Entities and Arrangements
				Identity Malta	Pending	Not Ongoing	This will be taken over by MBR.

		arising from the use of legal persons and arrangements		MBR	Pending	Not Ongoing	Upon the completion of an in dept study and analysis of foundations and associations
				MFSA	In Progress	Ongoing	SRA will continue to inform supervisory action
1	5	Malta should, as a matter of priority take action to improve national understanding of risks, threats and vulnerabilities, by e) analysing the ML/FT implications of corruption, tax evasion and the shadow/cash economy;	Pending	CBM	Pending	Ongoing	While report is one-off, cash issuance statements are continuous
				AG	Pending	Not Ongoing	A strategic analysis document to study the implications of corruption, tax evasion and the shadow/cash economy needs to be drafted. This document would ideally be drafted by the legal officer of the Office of the Attorney General who attends GRECO.
				FIAU	Pending	Ongoing	FIAU are required to carry out this analysis for the first time. However, the assessment and understanding of risks is a continuous exercise, as risks evolve and change. Such a risk assessment would need to be updated on a regular basis.
				CfR	Pending	Ongoing	Training is an ongoing action.
1	6	Malta should, as a matter of priority take action to improve national understanding of risks, threats and vulnerabilities, by f) assessing the vulnerabilities of the	In Progress	NCC	Complete	Not Ongoing	The Sectoral Risk Assessment of VFAs is a one-off action that once endorsed is complete
				MFSA	Complete	Not Ongoing	Once the gap analysis and risk analysis are done

		FinTech sector, including virtual assets;		FIAU	In Progress	Ongoing	The assessment and understanding of risks, is a continuous exercise, as risks evolve and change. Such a risk assessment would need to be updated on a regular basis, depending on the evolution of virtual financial assets and fintech products in Malta. With regards to the development of the REQ for the VFA Sector, this will be a onetime exercise, however as with all other REQ these are revised and improved from time to time.
1	7	Malta should, as a matter of priority take action to improve national understanding of risks, threats and vulnerabilities, by g) conducting a more detailed assessment of FT risks, particularly a detailed analysis of statistics, trends or activities; and consideration of the threats and vulnerabilities of products, services or sectors in Malta.	In Progress	NCC	Complete	Not Ongoing	TF Sectoral Risk Assessment is a one-off initiative complete on endorsement
				FIAU	In Progress	Ongoing	Updating TF trends and typologies document and providing training to subject persons) - Such a document needs to be revised and kept up to date to reflect emerging TF trends. Likewise, the private sector has to be kept aware of these emerging trends and typologies. All tasks involving the analysis of risks or trends are continuous as these have to be regularly updated to reflect the evolution of risks. As far as the customs exercise on cash declarations is concerned this is an ongoing exercise to analyse cash declarations that are made at Maltese borders. Consideration of FT risks is a onetime task in so far as amending supervisory policies and procedures are concerned, however the application of such policies and procedures in practice when carrying out supervisory examinations is continuous in nature.

				Police	In Progress	Not Ongoing	The Malta Police is committed towards TF and the risks imposed, entailing the engagement and training of two investigators
				MSS	In Progress	Complete	Once common standards are devised and the FCU is set up
				OCVO	In Progress	Ongoing	Due diligence exercise, sanctions, onsite investigations and drive to ensure total enrolment are not exercises that have an end date.
1	8	Malta should consider whether some CDD exemptions in respect to underlying investors applied by the fund industry are based on a consideration of risks and mitigating measures within funds sector and should consider whether these exemptions should be formally regulated.	In Progress	FIAU	In Progress	Not Ongoing	Upon being regulated in the Implementing Procedures Part I.
1	9	More detailed information on ML/FT risks, including a description of the main ML and FT methods, trends and typologies, should be shared among the private sector.	In Progress	NCC	Complete	Not Ongoing	Once the key results and action plan of the sectoral risks assessments are made public, the action is complete.
				MFSA	In Progress	Ongoing	Some related actions such as outreach to stakeholders would need to be sustained
				FIAU	In Progress	Ongoing	The provision of information on ML/FT risks, trends and typologies is not a one-time exercise. The private sector has to be kept informed about emerging and changing risks of ML/FT in Malta.
				MGA	In Progress	Ongoing	Implementing procedures, guidance and training need to be sustained to be effective

				OCVO	In Progress	Ongoing	Outreach initiatives have no end date, and raising awareness needs to be an ongoing operation
				Acc. Board	Pending	Ongoing	Changes to legislation are complete when it is enacted. However, guidelines and training are both of a continuous nature
1	10	Going forward, Maltese authorities should ensure that the objectives and activities of the AML/CFT supervisors, the FIAU and LEAs are consistent with national AML/CFT policies and the identified ML/FT risks.	In Progress	MFSA	In Progress	Ongoing	Co-ordination with national policies and between supervisors, the FIAU and LEAs would need to be maintained following the current alignment cycle
				FIAU	Complete	Ongoing	Authorities have to continuously ensure that their actions, activities and strategies are risk based.
				MGA	Complete	Ongoing	Supervision and risk identification are ongoing
				Police	In Progress	Ongoing	Since ML & TF risks are ever changes, the Police is focusing more on these areas. Eight new investigators have been identified and are receiving the necessary training, so that the ML capabilities within the Malta Police will be enhanced initially by 200% in the first phase and by a further 90% in the second phase.
2	11	The use of formal MLA tools for seeking timely assistance from abroad to pursue ML, associated predicate offences and FT should be improved, in order to make the use of MLA more consistent with the role of Malta as an increasingly growing international financial centre.	In Progress	AG	Pending	Ongoing	This recommendation by its very nature is an ongoing one. Statistically more MLA requests were sent but it is recommended that efforts continue after the Moneyval deadline. The role of the AG is simply that of a central designated authority hence it is not the AG's office which requests assistance but, in most instances, it is the Malta Police or the Maltese Courts.

				Police	In Progress	Not Ongoing	Greater emphasis is being placed on MLAs, and these are being used to obtain timely assistance
2	12	Forms and channels of “diagonal cooperation” that take place between the FIAU and foreign LEAs should be used only when necessary to ensure timeliness in providing information to relevant domestic authorities, maintaining the usual FIU-to-FIU cooperation channels as the main channel to collect or exchange financial intelligence.	Complete	FIAU	Complete	Ongoing	Maintenance of records in an ongoing initiative
3	13	The FIAU and the sectorial supervisors should further increase the frequency and depth of onsite inspections and ensure that they have sufficient resources and expertise in place to effectively supervise the size, complexity and the ML/FT risks of their respective sectors. The authorities should ensure that their supervisory staff has the appropriate skill base to undertake risk-based supervision for the wide variety of financial services, gaming, trust and company services and virtual assets serviced in Malta. The SMB should ensure through supervisory measures that the UN TFS are implemented in a timely and appropriate manner and that any identified violation is remedied.	In Progress	FIAU	Complete	Ongoing	The task of ensuring that the frequency and depth of on-site inspections are increased is a one-time exercise in so far as it involves revising the supervisory strategy and procedures to ensure this. However, the implementation of the supervisory strategy in practice through the carrying out of supervisory examinations is something ongoing. Recruitment is ongoing to replace staff members who may resign and also to address new needs that may arise. Likewise training of staff is ongoing to keep abreast with the evolution of the regulated sectors, changing ML/FT risks and trends etc.
				MFSa	Complete	Ongoing	Onsite inspections and supervision are ongoing
				MGA	In Progress	Ongoing	Inspection cycles are every 18 months for high risk entities, coupled with ongoing increase in resources

3	14a	<p>The FIAU and the sectorial supervisors should continue review their existing inspection model and introduce a more coherent and comprehensive graduated risk-based supervisory model, which demonstrates how ML/FT risk-ratings drive the frequency, scope and nature of future supervisory onsite/offsite inspections. The FIAU and the sectorial supervisors should continue to enhance their knowledge of sectorial and subject person-specific ML/FT risks and ensure that this enhanced knowledge includes an appreciation of wider group ML/FT risks.</p>	In Progress	FIAU	Pending	Ongoing	<p>The revision of the supervisory risk model has been carried out by the FIAU, through an overhaul of the FIAU's supervisory strategy, internal processes and policies, and also through the deployment of the CASPAR system which assists the FIAU in devising its supervisory cycles and annual plans on the basis of the ML/FT risks posed by the various sectors and subject persons. The development of this inspection model is a one-time exercise. On the other hand the issuance of Risk Evaluation Questionnaires and gathering of information to analyse and assess the ML/FT risks posed by the various sectors and operators to determine the supervisory cycles and annual plans is a continuous exercise carried out on a yearly basis or when there are indicators of risks throughout the year.</p>
				MFSA	In Progress	Ongoing	<p>Data informing risk models would need to be refreshed on a periodical basis, while the models themselves would continue to develop to reflect changes in the industry profile.</p>
				MGA	Complete	Ongoing	<p>Supervision is ongoing.</p>

3	14b	<p>FIAU and the sectorial supervisors should ensure that inspections adequately consider the ML/FT risks of subject persons' business models and assess whether their AML/CFT governance and control frameworks mitigate these ML/FT risks, and if not, apply the necessary remediation measures. Should systemic AML/CFT deficiencies be identified, supervisors should ensure that proportionate, dissuasive and effective sanctions are applied to subject persons, and if appropriate, their directors and/or senior management. As part of this action, the authorities should:</p> <p>1) develop comprehensive procedures to guide inspections and to ensure appropriate outcomes;</p> <p>2) assess how the FIAU's approach to imposing remedial actions and/or sanctions can be streamlined to ensure timely outcomes and ensure that supervisory actions are not delayed by judicial review; and</p> <p>3) develop processes to ensure that appropriate measures are also taken by the relevant sectorial supervisor.</p>		FIAU	Complete	Ongoing	<p>The task of ensuring that inspections consider ML risks emanating from business models and assessing whether these are appropriately mitigated and if not, applying remediation measures is a onetime exercise in so far as amending the supervisory procedures is concerned, however it is then continuous in so far as applying such procedures when carrying out supervisory examinations. Similarly the task of ensuring that proportionate, dissuasive, effective sanctions are applied on subject persons and their senior management is a one-time exercise when it comes to ensuring that laws and procedures enable the imposition of such measures, but a continuous task in so far as taking enforcement measures is concerned. Once again ensuring that the process of imposing remedial actions and sanctions is streamlined to ensure timely outcomes and ensuring that the process is not delayed by judicial review requires changes to written procedures and laws, but it requires continuous efforts to ensure that the supervisory and enforcement process is carried out according to the timeframes stipulated in FIAU procedures and in law by the Courts.</p>
				MFSA	In Progress	Not Ongoing	Once enhancements and updates to the required procedures are made
				MGA	Complete	Ongoing	The assessment of governance and controls is an ongoing initiative

3	15	The MFSA should ensure that consideration is appropriately given to the wider ML/FT risks associated with the ownership structure of its applicants, particularly banks with a very limited number of beneficial owners. As part of this action, the MFSA should continue with its initiatives to enhance authorisation procedures for all types of licence applications.	Complete	MFSA	Complete	Not Ongoing	Once amendments to the MFSA's on boarding policies are made.
3	16	Due to the international nature of Malta's finance sector, the MFSA should undertake regular adverse media and UN sanctions screening to prevent criminals and their associates from owning or controlling FIs and DNFBPs. This would bring them in line with the approach taken by the MGA.	In Progress	MFSA	In Progress	Not Ongoing	The action entails the identification of gaps at on boarding state and developing and implementing a plan to address such gaps.
3	17	The Maltese authorities should ensure that subject persons in the legal, DPMS and real estate sectors are subject to some form of licensing, registration or other controls and ongoing checks, to prevent criminals and their associates from owning or controlling these subject persons.	In Progress	MJCL	In Progress	Not Ongoing	Once the relevant legislation and the registration of such persons is made.
				MIEB	Pending	Not Ongoing	Once the relevant legislation and the registration of such persons is made.
				Parl. Sec. Property	In Progress	Not Ongoing	Once the relevant legislation and the registration of such persons is made.

3	18	The FIAU should routinely collate feedback and statistics on the impact of their supervisory actions. This should include introducing systems for maintaining statistics on the numbers and trends of findings to enable them to target their outreach and ultimately demonstrate the impact of their supervision of AML/CFT.	Complete	FIAU	Complete	Ongoing	Retention of statistical data and breaches required on an ongoing basis
3	19	Malta should continue issuing sector specific guidance targeting higher risks sectors	In Progress	FIAU	In Progress	Ongoing	This task will be complete once we issue the indicated sectors specific guidance documents. These documents will however need to be kept updated to reflect the evolution of business within these sectors as well as the evolving ML/FT risks.
4	20	Maltese authorities should take appropriate measures to raise awareness of all FIs and DNFBPs of the ML/FT risks in Malta, with a specific focus on distinct risks facing each sector and relevant mitigating measures to be taken, prioritising TCSPs, Legal Professionals, Accountants and real estate agents; and ensure that all FIs and DNFBPs have a comprehensive understanding of the risk based approach and its implementation, particularly with respect to correspondent banking, higher risks jurisdictions and EDD	In Progress	FIAU	In Progress	Ongoing	The provision of information and the taking of outreach initiatives to raise awareness of all subject persons on ML/FT risks is not a one-time exercise, but rather a continuous one. Similarly, the carrying out of training initiatives to guide subject persons in adopting a risk-based approach to AML/CFT measures is a continuous one. The actions that the FIAU had indicated in its proposed actions, are initiatives that it intended to take throughout the FATF one-year observation period, however following this year the FIAU will need to plan and execute other similar initiatives

		measures taken in relation to PEPs.		MFSA	In Progress	Ongoing	Awareness initiatives would need to be sustained
				MGA	Pending	Ongoing	Sector specific procedures and training are ongoing
4	21	Maltese authorities should take appropriate measures to raise awareness of all FIs and DNFBPs (particularly legal professional, accountants and real estate agents) of the ML/FT risks in Malta, with a specific focus on reporting obligations; criteria on suspicion specific to the sector; and methods, trends and typologies relevant to each sector.	In Progress	FIAU	In Progress	Ongoing	The provision of information on ML/FT risks, trends and typologies is not a one-time exercise but a continuous one. The FIAU will however need to determine in its yearly training plans, which sectors it would want to target and prioritise.
4	22	Maltese authorities should enhance awareness in the DNFBP sectors of the regulatory requirements in relation to ongoing monitoring of a business relationship and the monitoring and reporting obligations concerning TFS	In Progress	FIAU	In Progress	Ongoing	Whether the provision of training to ensure that the DNFBP sector has a good understanding of its ongoing monitoring obligations should be continuous will depend on whether these sectors improve such an understanding through the training provided. The FIAU will have to determine whether it should continue providing training on this particular obligation specifically or focusing on other aspects.
				SMB	In Progress	Ongoing	Raising awareness is an ongoing activity
4	23	Malta should amend legislation to address the technical deficiencies described in the TC Annex.	In Progress	FIAU	Complete	Not Ongoing	Once laws are amended to take heed of the recommendations made this task would be complete.

5	24	The authorities should finalise their assessment of the vulnerabilities and the extent to which all types of Maltese legal persons and legal arrangements could be misused for ML/FT.	In Progress	Complete	NCC	Complete	Not Ongoing
5	25	The assessment on Maltese legal persons and arrangements should include (i) the domestic and international ML/FT threats, including the underlying predicate crimes, that Maltese legal persons and legal arrangements are exposed to; and	In Progress	Identity Malta	Pending	Not ongoing	Being taken over by MBR
				MBR	Pending	Not ongoing	The results from the sectoral risk assessment of LEAs will be included in the MBR's policies and guidelines
				MFSA	Complete	Not Ongoing	The results from the sectoral risk assessment of LEAs will be included in the MFSA's guidelines and regulatory framework
5	26	The assessment on Maltese legal persons and arrangements should include (ii) the vulnerabilities of the Maltese multi-pronged approach to obtaining accurate and timely beneficial ownership information.	In Progress	MBR	In Progress	Ongoing	Beneficial owners are always changing and therefore an ongoing verification process needs to be in place by carrying out, onsite visits. The obligation of competent authorities and subject persons to report discrepancies is important for verification that beneficial ownership information held at the Register on BOs of Companies is correct and needs to be ongoing. If discrepancies are found both from onsite inspections and by reporting of competent authorities and subject persons appropriate action needs to be taken by MBR
				MFSA	In Progress	Ongoing	Verification of UBO information is an ongoing process to ensure accuracy

5	27	Malta should ensure that the Registry of Companies has adequate resources and legal powers to ensure that it holds accurate and up-to-date basic and beneficial ownership information and that it applies effective, proportionate and dissuasive sanctions and consider whether a more robust approach to striking-off delinquent companies is required.	In Progress	MBR	In Progress	Ongoing	Enforcement of penalties will be ongoing in order to encourage companies to file on time documents and the register of companies will be update and accurate. The Registrar will ensure that the level of inactive companies will be kept minimum.
5	28	Effective, proportionate and dissuasive sanctions should be applied by the FIAU to gatekeepers which fail to maintain up-to-date beneficial ownership information.	Complete	FIAU	Complete	Ongoing	The identifying of shortcomings need to be carried out on a continual basis
5	29	Technical issues identified in the TC annex should be addressed to strengthen measures to prevent the misuse of legal persons and legal arrangements.	In progress	MBR	In progress	Not Ongoing	Once amendments to the law are made no further action is required
				FIAU	In progress	Not Ongoing	Once laws are amended to take heed of the recommendations made this task would be complete.
				MFSA	In progress	Not Ongoing	Once amendments to the law are made no further action is required
6	30	Malta should enhance the use of financial intelligence in criminal investigations of tax-related offences and more proactively pursue parallel financial investigations, including the ML element of the case.	In Progress	Police	In Progress	Ongoing	Since this will be an ongoing process, more emphasis is being made on the use of financial intelligence, even though investment in equipment (with a €1 million project to enhance the intelligence capabilities soon to be completed), more parallel financial investigations are being carried out, and the first case of tax-related ML case is also being prosecuted in Court.

				FIAU	Complete	Ongoing	The dissemination of information relating to tax matters is not one off
				CfR	In Progress	Ongoing	A number of meetings were held between CfR; FIAU; Police & AG to devise a way forward. This needs to be an ongoing process
6	31	The FIAU, the MGA and the Police should make better use of information generated from STRs, with the involvement of non-residents submitted by the remote gambling sector that can relate to ML, associated predicate offences or FT.	In Progress	FIAU	In Progress	Ongoing	While the FIAU have been requested to carry out this strategic analysis for the first time. This will not be just a one-time exercise. It will have to be repeated to ensure that the understanding of ML/FT risks emanating from remote gaming in Malta, and ML/FT trends linked to this sector are kept up to date.
				MGA	Complete	Ongoing	Information gathering and analysis are actions that do not end.
				Police	In Progress	Not ongoing	Eight new investigators have been identified and are receiving the necessary training, so that the ML capabilities within the Malta Police will be enhanced initially by 200% in the first phase and by a further 90% in the second phase. Specialization in this area is being planned.
6	32	The Police and the FIAU should establish an effective feedback mechanism on the use of financial intelligence in investigations.	Complete	FIAU	Complete	Ongoing	The feedback requests and maintenance of records are not one-off processes. This is a continuous exercise.
				Police	Complete	Ongoing	Collaboration is ongoing in nature

6	33	The FIAU should reconsider performance of its analytical process to ensure that the shortcomings identified (such as the length of the analytical process, the huge disproportion of received STRs, and the low number of disseminations to the Police) do not impact on its overall effectiveness.	In Progress	FIAU	In Progress	Not Ongoing	The revision of the analytical process is a one-time task, once the process is fine-tuned and rendered more efficient this task will be completed.
6	34	The authorities should increase outreach, training, develop targeted guidelines, typologies and red flags for subject persons to improve the quality and quantity of STRs, especially in the sectors where - according to the NRA - the inherent ML/FT risk is high.	In Progress	FIAU	In Progress	Ongoing	Outreach initiatives aimed at providing information on ML/FT risks, trends and typologies are continuous exercises.
6	35	Malta should undertake measures to increase the effectiveness of information gathering, and ensure that the FIAU has direct access to the databases commensurate with its operational needs;	In Progress	NCC	In Progress	Not Ongoing	Upon the signing of a generic MoU between all the competent authorities, this action is satisfied
				FIAU	In Progress	Not Ongoing	Once the FIAU gains access to the information databases it needs to carry out its analytical functions more effectively, and improve the procedures to gather information, it will complete this task.
				Customs	In progress	Not Ongoing	Once the online system is in place and the FIAU confirm direct access, the action will be deemed as complete.

				Police	Pending	Not Ongoing	Processes are being streamlined, and in the coming days a dedicated officer will be assigned only on such liaison duties.
6	36	Malta should consider introducing centralised databases (such as an account register) or establishing a cash transaction reporting requirement.	In Progress	NCC	Complete	Not Ongoing	Once the introductory meeting has taken place and project assigned to the FIAU, no further input is needed from NCC
				CBM	Complete	Not Ongoing	Feedback given to the FIAU to have taken responsibility for the project
				FIAU	In Progress	Not Ongoing	This is a one-time task, that we are asked to carry out. This task will be complete once the account register is set up and functioning, while the task of considering and determining whether a cash transaction reporting requirement should be introduced has been taken with the decision to adopt and enforce a cash payment limitation instead.
6	37	Malta should further enhance the human and technical resources, including the development of an electronic information system for the document workflow of the FIAU to enable more effective operational and strategic analysis, and the development of a secure electronic information exchange system within the competent authorities.	In Progress	FIAU	In Progress	Ongoing	The development of a secure electronic information exchange system is a one-time task. The enhancement of human and technical resources within the analytical section is on the other hand a continuous task, as recruitment has to be on-going to replace officers that might leave the FIAU and to also address new work streams that may arise. Technical resources also have to be regularly revisited to ensure that they are still efficient and tailored to evolving needs.

7	38	The Police should be reinforced with both human and technical resources to be fully able to investigate high-level and complex ML cases which are commensurate with the ML risks which Malta faces (as an international financial centre). Adequate training and capacity-building should be provided.	In Progress	Police	In Progress	Not Ongoing	A detailed plan both from a strategic, operational and HR requirements are being implemented. The Unit will be moving to a new state-of-the-art facility in about 8 weeks to allow for more growth. Eight new investigators have been identified and are receiving the necessary training, so that the ML capabilities within the Malta Police will be enhanced initially by 200% in the first phase and by a further 90% in the second phase. Specialization in this area is being planned.
7	39	Malta should develop a comprehensive AML strategy for the investigation, prosecution and conviction of ML, including the prioritisation of this offence as well as addressing the shortcomings highlighted in Chapter 3 of this report.	Pending	AG	Pending	Not Ongoing	Upon the development of an internal and harmonised strategy, this would address the shortcomings. Having said so, the need might arise for this to be revised from time to time.
				Police	Pending	Not Ongoing	Internal discussions are being carried out to adopt a prioritization strategy, and greater emphasis in being given to training. All ML personnel received ML/TF diploma level certification training, and legislative changes have also been introduced (example 6 months period for Attachment Orders) which will be of great benefit to the work of the police. Once this process is complete, this activity (with the exception of training, which will be continuous) will be completed.

7	40	Malta should consider introducing measures to separate the role of the Police as both an investigative and prosecutorial authority.	In Progress	MJCL	Pending	Not Ongoing	This action is a one-off process that will see the establishment of the State Advocate the handing over of the prosecution from the Malta Police to the AG.
				AG	In Progress	Not Ongoing	This action is a one-off process that will see the establishment of the State Advocate the passing of prosecution from the Police to the AG.
7	41	Malta should eliminate any legal and practical obstacles for pursuing criminal investigations for tax evasion, and reconsider its policy to investigate tax evasion as a mere administrative offence.	In Progress	AG	In Progress	Not Ongoing	The required legal amendments are one of the actions.
				Police	In Progress	Not Ongoing	Legislative changes are being drafted by the Tax Authorities to amend this obstacle, a tax-related ML case is being prosecuted that will serve also as a test case, and more emphasis is being made on the use of tax information / intelligence in ML investigations.
				CfR	In Progress	Not Ongoing	Once the relevant laws are in place the action is complete.
8	42	Malta should introduce for its competent authorities a written policy and guidance on confiscation of proceeds of crime and instrumentalities. This policy should extend to the widest possible range of asset-tracing, in order to capture criminal proceeds disguised through the use of the corporate structures available in Malta as an international financial centre.	In Progress	AG	Pending	Not Ongoing	This action requires a change in policy and certain legal changes. However, the need might arise for this policy to be revised from time to time.
				Police	In Progress	Not Ongoing	Once issued, the guidelines will be final, although will be updated according to needs.
				ARB	In Progress	Ongoing	The Standard of procedures developed by ARB are built on experiences gained and case studies. Their main purpose is to guide our team in the day to day running of our operations. Standard of Procedure must be revised every six months. For example: As regards topic 1: Asset Tracing is covered by multiple SOP detailing the processing from the

							action to be taken upon the issuance of a Freezing Order, the analysis carried out and the submission of Asset Inventories. How to carry out request for information with the Police, other Competent Authorities and Foreign requests for information.
8	43	The ARB should become fully operational and be developed into an efficient tool for the tracing and management of assets, supported by sufficient resources and training for the authorities involved.	In Progress	ARB	In Progress	Ongoing	While certain initiatives such as software and ARB offices are one of actions, staff capacity, training, and screening are ongoing actions
8	44	Malta should consider introducing a system for non-conviction based confiscation to achieve better results in the confiscation of proceeds of crime.	Pending	MJCL	Pending	Not Ongoing	Once the relevant laws are in place the action is complete
				AG	Pending	Not Ongoing	Once the relevant laws are in place the action is complete
				ARB	In Progress	Not Ongoing	Once system and legislation for non-conviction is in place the ARB will have the power to act.
				Police	Pending	Not Ongoing	Once the relevant laws are in place the action is complete
8	45	Malta should ensure that ML/FT suspicions are sufficiently addressed in their system of cross-border cash/bearer negotiable instruments (BNI) declarations. In particular, cash declarations should require more meaningful information to allow the authorities to analyse them with regard to possible ML/FT suspicions.	In Progress	Customs	In Progress	Not Ongoing	The new declaration form will be introduced and this action will be considered complete. Furthermore, the Customs AML team has been set up and is functional.

9	46	Malta should make a more detailed analysis of its FT risks, in particular with regard to money remittances, cross-border cash declarations and possible links between organised crime and terrorism.	In Progress	NCC	Complete	Not Ongoing	This action is complete on the endorsement of the sectoral risk assessment on terrorism financing
				Customs	Pending	Not Ongoing	The group meets on a regular basis or as required. Cross border cash declarations are forwarded to the FIAU for analysis.
				Police	Pending	Not Ongoing	Discussions about this platform are being carried out, and it is envisaged that the Malta Police Money Laundering Squad will take the leading role in this once the new TF-specialized inspectors who are receiving training will be assigned with their duties upon completion of their studies.
				FIAU	In Progress	Ongoing	Updating TF trends and typologies document and providing training to subject persons) - Such a document needs to be revised and kept up to date to reflect emerging TF trends. The private sector has to be kept aware of these emerging trends and typologies. All tasks involving the analysis of risks or trends are continuous as these have to be regularly updated to reflect the evolution of risks. As far as the customs exercise on cash declarations is concerned this is an ongoing exercise to analyse cash declarations that are made at Maltese borders. Consideration of FT risks is a one-time task in so far as amending supervisory policies and procedures are concerned, however the application of such policies and procedures in practice when carrying out supervisory

							examinations is continuous in nature.
				MSS	Pending	Ongoing	The gathering of intelligence is an ongoing task
9	47	Malta's border cash control mechanism should be strengthened by giving the competent authorities the legal powers and the resources to perform analyses and investigations related to FT.	In Progress	Customs	In Progress	Not Ongoing	The new EU Regulation comes into force in June 2021. The mentioned amendments should be transposed within the National Legislation. Once this is done, the action will be considered complete.
9	48	Malta should accelerate ongoing initiatives, such as the development of a national FT strategy and the establishment of an inter-agency committee to deal more specifically with FT on a regular basis.	In Progress	NCC	Complete	Not Ongoing	This action is complete on the endorsement of the sectoral risk assessment on terrorism financing
				Police	In progress	Not Ongoing	Discussions about this platform are being carried out, and it is envisaged that the Malta Police Money Laundering Squad will take the leading role in this once the new TF-specialized inspectors who are receiving training will be assigned with their duties upon completion of their studies.
				FIAU	In progress	Ongoing	The development of a TF strategy is a one-time task, however this needs to be kept up to date with the evolution of TF risks in Malta. The setting of the inter-agency committee is a one-time task.
				MSS	In progress	Ongoing	Initiatives dealing with FT are ongoing
9	49	The level of FT sanctions, in particular with regards to the financing of individual terrorists or specific terrorist acts (currently punishable by a maximum sentence of only four years imprisonment) should be further	Pending	AG	Pending	Not Ongoing	Once the relevant relative amendments at law are in place the action is complete

		raised to a fully-dissuasive level.					
10	50	Malta should ensure that amendments to the lists of designated persons and entities pursuant to UNSCRs 1267/1989, 1988 and 1373 are communicated immediately to all reporting entities.	Complete	SMB	Complete	Ongoing	The communication of UNSCR amendments need communicating as required
10	51	Malta should conduct regular outreach in order to enhance the awareness and understanding of the subject persons of FT-related TFS obligations, including actions to be taken under the freezing mechanisms, and reporting to the SMB.	In Progress	SMB	In Progress	Ongoing	Outreach is an ongoing initiative
10	52	Malta should expand its assessment of the risk of FT abuse to the whole VO sector	Complete	OCVO	Complete	Ongoing	Due diligence exercise, sanctions, onsite investigations and drive to ensure total enrolments, outreach and awareness, vetting of administrators and the collection of information on public collection are ongoing processes
10	53	Malta should develop and implement a FT risk-based approach to monitor the VO sector.	Complete	OCVO	Complete	Ongoing	Monitoring of VOs and risk analysis are ongoing processes
10	54	Malta should reinforce the outreach to VOs, reporting entities and donor community with regard to the FT vulnerabilities and risks within the sector.	In Progress	OCVO	In Progress	Ongoing	Outreach initiatives need to occur on a continuous basis.
10	55	Malta should consider widening the scope of the persons scanned by the CVO and including other actors that can influence the activities of VOs.	In Progress	OCVO	In Progress	Ongoing	Media monitoring and due diligence to be done regularly to ensure effectiveness

11	56	Malta should ensure that amendments to the list of designated persons and entities pursuant to UNSCRs 1718 and 1737 are communicated immediately to all subject persons.	Complete	SMB	Complete	Ongoing	The communication of UNSCR amendments need communicating as required
11	57	Malta should reinforce outreach to the subject persons, especially non-bank FIs and DNFBPs, in order to raise the awareness and understanding of the implementation of PF-related TFS obligations, including actions to be taken under the freezing mechanisms, and reporting to the SMB.	In Progress	SMB	In Progress	Ongoing	Outreach to non-bank FI's and DNFBP including training, seminars and on-to-one sessions require constant implementation
11	58	Malta should ensure adequate resources for coverage of TFS obligations in supervisory inspections.	In progress	SMB	In progress	Ongoing	TFS checks and reports by compliance officers are an ongoing matter.

Annex IV

Organised Seminars/Conferences 2019

Name of seminar	Type of participants	Number attended	Date of outreach	Issues covered
FIAU				
1. Training seminar on the Implementing Procedures Part I with a focus on the Risk Based Approach	<ul style="list-style-type: none"> - Subject persons from all sectors - Officials from other authorities including MGA and MFSA 	413	18 th October	<ul style="list-style-type: none"> • The Risk Based Approach • The Business & Customer Risk Assessments • Risk Factors & Mitigating Measures • Customer Due Diligence, including Enhanced Due Diligence & Ongoing Monitoring • The MLRO • Outsourcing of AML/CFT Obligations
2. Training seminar on the Implementing Procedures Part II for gaming operators	Officials of the Malta Gaming Authority and the FIAU	60	24 th June	<ul style="list-style-type: none"> • Introduction on the FIAU • Customer Due Diligence • The Risk Based Approach • Suspicious Activity Transaction Reports • Red Flags
3. A practical approach to AML/CFT for the Legal Profession, organised by the Council of Notaries of the European Union (CNUE)&the Notarial Council together with the FIAU	Notaries and lawyers	100	8 th November	<ul style="list-style-type: none"> • Money laundering typologies & risk factors • Practical approach to supervision & enforcement • Suspicious Transaction Reporting • AML/CFT Case Studies
OCVO				
	VOs administrators	13	21 st November 28 th November	<ul style="list-style-type: none"> • Safeguarding VOs against financial abuse
CUSTOMS				
- Attended the training session organised by the NCC	Customs officials	1	23 rd – 27 th September	<ul style="list-style-type: none"> • Financial Investigative Techniques
MBR				
Seminar 1	Accountants and Auditors	150	25 th March	The formation of companies including the Register of Beneficial Owners of Commercial partnerships.

Seminar 2	CSPs, lawyers, accountants, auditors	200	2 nd July	The formation of companies including the Register of Beneficial Owners of Commercial partnerships.
CfR				
Conference 1	Official participating Member State Reps + VAT Inspectors + Customs reps + observers	60	6-7 th February	12th meeting of the Eurofisc Group Working Field 1 dealing with "Missing Trader Fraud in the intra-Community trade"
Conference 2	Official participating Member State Reps + VAT Inspectors + Customs reps + observers	65	26 - 27 th June 2019	Invitation to the 13th meeting of the Eurofisc Working Field 3 dealing with Customs Procedures 42/63 and VAT fraud in the intra-EU trade
Conference 3	CfR, Customs, MFSA, AG, Police, ARB, NCC, MSS reps	45	23-27 th September 2019	Financial Investigative Techniques Course
Conference 4	Official participating Member State Reps + VAT Inspectors + Customs reps + observers	67	26-27 th November 2019	6th meeting of the Eurofisc Working Field dealing with Control of Electronic Commerce (WF5)
MFSA				
1. Launch of MFSA Vision	<ul style="list-style-type: none"> - Government Entities - Banking - Insurance - Investments - Pension Schemes - FinTech - Law Firms - Accounting & Audit Firms 	250	31 st October	<ul style="list-style-type: none"> - MFSA Launch Vision 2021 - MFSA Launch FinTech Strategy - MFSA new branding - MFSA new website - Including governance, culture and conduct - including fusing AML/CFT Strategy in prudential supervision -

2. MFSA Briefing	<ul style="list-style-type: none"> - Government Entities - Banking - Insurance - Investments - Pension Schemes - FinTech - Law Firms - Accounting & Audit Firms 	250	9 th May	<ul style="list-style-type: none"> - MFSA Organisational Structure - Supervisory Priorities - Governance, Risk & Compliance - Compliance with AML/CFT - Focus on Retail Investor Protection - Cross-border Operations - Cyber Security - Authorisations Improved Process
3. Regulation and Financial Crime Compliance in the Funds Industry	<ul style="list-style-type: none"> - Investments - Law Firms - Accounting & Audit Firms 	60	18 th June	<ul style="list-style-type: none"> - Managing regulatory compliance - Key areas for improvement - Role and Responsibilities of Directors
4. MFSA-CFTC workshop (Regulatory and AML/CFT Frameworks for Virtual Assets)	<ul style="list-style-type: none"> - Government Entities - Banking - Insurance - Investments - Pension Schemes - FinTech - Law Firms - Accounting & Audit Firms 	30	9-11 th September	<ul style="list-style-type: none"> - Case Studies from different jurisdictions - Investigations; From red flags to actual enforcement measures - Quality Suspicious Transaction Reporting and Red Flags - Identifying gaps in AML/CFT supervision and enforcement - Emerging threats in the crypto sector – fraudulent ICOs; ransomware attacks, hacks; cyber theft; market manipulation

5. Financial Integrity Forum - Public-Private Information Sharing	<ul style="list-style-type: none"> - Government Entities - Banking - Insurance - Investments - Pension Schemes - Law Firms - Accounting & Audit Firms 	120	24 th September	<ul style="list-style-type: none"> - Speakers from the public and private sectors shared their experiences and best practices on information sharing and, how together with public private partnerships, they can fight financial crime.
6. MFSA Strategy Briefing	<ul style="list-style-type: none"> - Government Entities - Banking - Insurance - Investments - Pension Schemes - FinTech - Law Firms - Accounting & Audit Firms 	280	21 st October	<ul style="list-style-type: none"> - Future Proofing Supervision in Malta: The MFSA's Strategic Plan - The Future of Financial Supervision - Panel: Addressing fragmentation, the importance of supervisory cooperation
MGA				
1. iGaming Academy: ACE Seminar AML Compliance and Enforcement Seminar in Gaming	Gaming Sector	n/a	January	Financial Crime/AML
2. ARQ Group: Seminar – AML Transaction monitoring seminar	Financial and Gaming Sector	n/a	February	Financial Crime/AML
3. Kyte Consultants and Acuris: Compliance Matters Conference	Gaming Sector	n/a	August	Financial Crime/AML
4. ARQ Group: Seminar - Gaming Compliance Forum	Financial and Gaming Sector	n/a	October	Financial Crime/AML
5. KPMG - KPMG eSummit	Gaming Sector	n/a	November	Financial Crime/AML

NCC				
1. Financial Investigative Techniques	- FIAU - MFSA - MGA - MPF - MBR - SMB - OCVO - ARB - AG - MSS	40	23 rd – 27 th September	Financial Investigative Techniques
2. National Coordination Strategy Seminar	- FIAU - MFSA - MGA - MPF - MBR - SMB - OCVO - ARB - AG - MSS	40	10 th December	A forum where speakers from competent authorities engaged in the combat of ML and FT gave presentations on the salient progress and achievements that each authority has achieved and gave an outline of their planned actions.

Organised Seminars/Conferences up to February 2020:

Name of seminar	Type of participants	Number attended	Date of outreach	Issues covered
FIAU				
The Risk Evaluation Questionnaires (“REQs”)2020	Subject persons from all sectors	361 340 176 219 178 156	11 th February <i>AM</i> 11 th February <i>PM</i> 12 th February <i>AM</i> 12 th February <i>PM</i> 14 th February <i>AM</i> 14 th February <i>PM</i>	Guidance to assist subject persons of the various industries in completion of the REQs
MFSA				
1. Financial Crime Risk Mitigation:	- MLROs of CSPs,	220	21 st January <i>AM</i>	- What is Financial Crime?

MFSA's Expectations	<ul style="list-style-type: none"> - Trustees & Fiduciaries - Nominated Persons of CSPs, Trustees & Fiduciaries - Senior Compliance Officers of CSPs, Trustees & Fiduciaries 			<ul style="list-style-type: none"> - How is Financial Crime manifesting itself in Malta now and what is on the risk horizon? - The Financial Crime risk mitigation expectations of the MFSA in relation to entities operating in Malta - What is the MFSA approach to Financial Crime related inspections?
2. Financial Crime Risk Mitigation: MFSA's Expectations	<ul style="list-style-type: none"> - Credit & Financial Institutions MLROs - Credit & Financial Institutions Nominated Persons - Credit & Financial Institutions Senior Compliance Officers - Credit & Financial Institutions Executives 	180	21 st January <i>PM</i>	<ul style="list-style-type: none"> - What is Financial Crime? - How is Financial Crime manifesting itself in Malta now and what is on the risk horizon? - The Financial Crime risk mitigation expectations of the MFSA in relation to entities operating in Malta - What is the MFSA approach to Financial Crime related inspections?
NCC				
AML & Financial Crime Conference	Financial and Gaming Sector	n/a	13 th February	The central theme of the event was the action being taken following the publication of the recent MONEYVAL report, together with other topical subjects such as effective de-

Anti-Terrorism Financing Training	<ul style="list-style-type: none"> - FIAU - MFSA - MGA - MPF - MBR - SMB - OCVO - ARB - AG - MSS 	<p style="text-align: center;">40</p>	<p style="text-align: center;">25-26th February</p>	<p>risking, correspondent relationships and terrorism financing.</p> <ul style="list-style-type: none"> - Anti-terrorism financing training - Law enforcement - Contemporary threats - Risks to financial institutions - Roles and responsibilities of the private sector in reporting suspected terrorist finance activity.
MGA				
1. ARQ Group: AML & Financial Crime Conference	Financial and Gaming Sector	<p style="text-align: center;">n/a</p>	<p style="text-align: center;">13th February</p>	Financial Crime/AML
2. FIAU: REQ Training for the Gaming Sector	Gaming Sector	<p style="text-align: center;">n/a</p>	<p style="text-align: center;">February</p>	Financial Crime/AML

Annex V

Relevant Statistical Indicators

During 2019 the NCC Secretariat staff started collecting statistics from all the relevant competent authorities to have a holistic and realistic current picture for the updating of the National Risk Assessment (NRA). A small sample of the salient indicators that will be used in the updating of the NRA is shown below.

Table 6. Statistical Indicators

	2017	2018	2019
Financial Intelligence Analysis Unit			
Number of Suspicious Transaction Reports	778	1,679	2,778
Malta Business Registry			
No. of active registered companies*	-	3,922	4,426
Partnership – Active	-	71	95
Public limited company – Active	-	48	20
Private limited company – Active	-	3,471	3,886
Companies struck off under the defunct procedure**	-	57	887
No of penalties enforced (Claimed) (Euro)	-	3,056,675	8,757,325
No of penalties enforced (Settled)	-	2,793,192	6,497,630
Malta Gaming Authority			
No. of rejected/withdrawn applications to remote gaming companies	10	40	44
No. of criminal probity screen tests, of which:	2,010	1,988	1,386
Land-based	838	963	88
Remote gaming activities	1,172	1,025	1,298
No. of notices of reprimands	1	16	20
No. of notices of breach	-	73	89
No. of suspended licences	5	4	11
No. of cancellation of licences	3	8	14
Administrative fines imposed	46	138	23
No. of employees within the MGA in the AML/CFT unit	4	7	9
Customs Department			
Staff within the anti-money laundering unit	NIL	3	9
No of cash seizure cases	10	10	66
of which:			
Departures from Malta to an EU country	NIL	NIL	1
Departures from Malta to a non-EU country	5	6	48
Arrivals to Malta from an EU country	2	4	4
Arrivals to Malta from a non-EU country	3	NIL	13

	2017	2018	2019
Value of cash seizures (€)	214,440	203,335	1,547,116
of which:			
Departures from Malta to an EU country (€)	NIL	NIL	14,090
Departures from Malta to a non-EU country (€)	95,892	102,581	1,259,596
Sanctions Monitoring Board			
Number of cases considered by the SMB in relation to targeted financial sanctions	115	92	86
Number of transactions rejected in the country pursuant to targeted financial sanctions	12	9	5
Office of the Commissioner for the Voluntary Organisations			
No. of newly enrolled VOs	125	118	195
VOs that were struck off	13	28	72
Application cancelled	4	21	31

Notes:

*All Company Classifications

** Companies having status – Struck off as Defunct