




GOVERNMENT
OF MALTA

Malta Financial Services Oversight newsletter

22 May 2020

A portrait of Byron Camilleri, Minister for Home Affairs, wearing a dark blue suit, white shirt, and dark tie. He is smiling slightly and has his hands clasped in front of him. The background is a blurred indoor setting with a window.

Keynote Introduction

Byron Camilleri

Minister for Home Affairs

Malta has shown that it is an innovative, resilient and well prepared country, even at a time when the entire world is dealing with an unprecedented pandemic.

One of the first reforms I implemented as Minister, is the manner in which our Police Commissioner is selected. For the first time, Malta will choose its police chief through a public call led by the Public Service Commission. By changing the way the Police Commissioner is appointed, we are increasing the level of scrutiny in the selection process and significantly decreasing the decision-making power of politicians. This is only the first step. In the coming months, we will start implementing a transformation strategy for the Police Force which is being formulated in collaboration with international advisors that were chosen as part of an EU-funded project. At the same time, we will also take on board GRECO recommendations on the ethics and integrity of the Force and its members.

As Minister for Home Affairs, my main focus is to ensure that law enforcement agencies have the necessary resources to do their job. That is why I am determined to increase both the technical expertise and resources within the Force. Firstly, this can be achieved by attracting more professionals to the Force, especially in sectors such as money laundering and cybercrime. In addition to this, we can increase our resources through more investment.

As part of this process, Malta is open to cooperating with international institutions. The Police Force is already working with Europol on several major investigations, whilst the Government is continuously engaging in dialogue with international institutions such as the Venice Commission.

My message to you is that with these changes Malta will become a stronger jurisdiction. Malta is already a fantastic place to do business and boasts one of the most business-friendly environments in the world. I assure you that we will become even better.

in this news letter

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Our reputation pays - Minister for Justice, Equality and Governance

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Malta's Finance Minister **endorses calls for joined-up EU approach to AML**

Malta's Finance Minister Edward Scicluna has welcomed calls within the EU to strengthen the Bloc's anti-money laundering defences. It follows comments from the EU's executive vice-president Valdis Dombrovskis that the Commission plans to consult EU members over plans to either create a new supervisor in charge of AML or to give more powers to the existing European banking Authority.

Minister Scicluna has consistently called for a central authority with beefed up powers to tackle the scourge of money laundering.

“This is an international crime that knows no frontiers. It requires an international solution, which is something I have consistently brought up in Eurogroup meetings. We have divergent powers, divergent standards and divergent enforcement across European member states. We need better information sharing, better collaboration. I note Mr Dombrovskis' proposed solutions and I heartily endorse them”

Our Reputation Pays – Ministry for Justice, Equality and Governance

Malta is taking concrete action to deliver reforms that will strengthen our institutions for years to come. Recently, the Maltese Government submitted concrete legal concepts to the Venice Commission upon which judicial and institutional reforms will be implemented. We will now await a formal opinion from the Venice Commission based on its December 2018 Opinion.

The implementation of these reforms required courage and resolve. We have already implemented some pivotal changes. First, we separated the duties of the Attorney General, Malta's State Prosecutor, who will no longer be responsible for advising government on constitutional matters. We have now entrusted this role to the newly created position of State Advocate, who was unanimously recommended by the Appointments Commission. Secondly, we appointed a new Chief Justice, following unprecedented agreement with the Opposition, and a unanimous vote in the House of Representatives.

We are also proposing that from now on, all future Chief Justice appointments are based on the approval of a two-thirds majority in Parliament.

The way judicial appointments are made will also be reformed, with authority shifting from the Prime Minister to a newly established Judicial Appointments Committee which will propose three names for each vacancy directly to the President of Malta.

We have strengthened two other important offices of State, handing over to the President of Malta the appointment of the Chair of the Permanent Commission Against Corruption – again following a two-thirds majority in the House – and automatically handing over any findings of

corruption to the State Prosecutor, as well as proposing to incorporate the terms of appointment and dismissal of the Ombudsman in the Constitution and making a binding commitment to debate in Parliament all matters raised by his or her office.

Moreover, members of independent commissions and additional positions are to be appointed by Cabinet of Ministers – no longer directly by the Prime Minister – while the appointment of the Data Protection Commissioner will take place only after consultation with the Leader of the Opposition. The way Permanent Secretaries are engaged will be reformed as well. The Principal Permanent Secretary, who is also the Secretary of the Cabinet, will be appointed by the Cabinet of Ministers upon consultation with the Public Service Commission. The same Commission will recommend a list of Permanent Secretaries to the President.

We are also seeking to eliminate the long-standing controversy surrounding 'Persons of Trust', by introducing amendments to the Public Administration Act limiting engagements of such personnel to consultants and secretariat staff to ministers and parliamentary secretaries. The Commissioner of Standards in Public Life will have a wide supervisory role in this area.

These reforms will lead up to further reforms, which in turn will lay the groundwork for the Constitutional Convention to be launched by the President of Malta.

These reforms will serve to strengthen Malta's reputation both at a European, and international level. They will also send a very clear message that Malta is a strong and modern democracy that respects the rule of law and embraces the principles of good governance.

Investment bears fruit: MFSA reports **35% increase** in inspections and examinations

The MFSA's multi-million investment in recruitment, training and technology are beginning to bear fruit. The regulator tasked with oversight of Malta's financial services industry increased budget spending during the year, boosting investment expenditure on staff resources by 19% to €13.5 million, training by 229% to €456,000 and technology spend by 26% to €2.8 million.

This helped expand the Authority's programme of inspections and examinations by 35% to 350 and strengthen supervisory and enforcement action across the board. In addition to administrative penalties and remedial action ordered in a number of cases, the Authority also took action to cancel the licences of four entities and restrict licences in three other instances due to weak governance and control systems and other breaches of licence conditions.

Increased investment in AML/CFT supervision in particular led to the identification and initiation of steps to address weaknesses in due diligence and customer risk assessment processes in a number of firms, as well as other weaknesses in transaction monitoring and sanctions screening, poor controls over data and infrastructure, and outsourcing control functions.

Enforcement action was also taken to identify and neutralise a number of financial scams and other instances of unlicensed activity. The regulator continues to work closely with international authorities in order to sustain its own investigations as well as help other regulators enforce supervision in their respective jurisdictions.

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FIAU updates on new CBAR registry to tackle money laundering

Being able to tap accurate, up-to-date financial information on companies and individuals in a timely manner is a key advantage in the fight against money laundering.

That's why EU member states are required under the 5th AMLD to maintain centralised databases of all bank accounts in their territories. The FIAU is developing just such a database called the Centralised Bank Account Registry or CBAR that will list all IBAN accounts issued by Maltese banks. IBAN, or international bank account numbers, are used when making or receiving international payments. The new registry will be launched in September. Tax authorities, law enforcement and other bodies will be able to access the registry for data in a matter of seconds, greatly speeding up investigations and audits.

The FIAU recently hosted a series of webinars for financial institutions in order to help them prepare for the launch of the registry and better understand their obligations in terms of data provision.

This is important given the demanding implementation timeframe for private sector firms. The FIAU will shortly publish draft legislation governing exactly who has access to the registry and under what circumstances.

Meanwhile, the FIAU has unveiled its draft amendments to the PMFLTR or Prevention of Money Laundering and Funding of Terrorism Regulations in order to address Moneyval recommendations.

The proposed amendments, in combination with guidance that is in the process of being drafted, will reduce the time period within which subject persons can submit STRs, and empower the FIAU to take action against a subject person's senior management for AML/CFT breaches.

FIAU signs two MOUs with Central Bank, Accountancy Board

The FIAU has recently taken further steps as part of its mission to combat money laundering and financial crime.

The regulator recently signed new Memorandums of Understanding (MoUs) with three bodies including the Central Bank of Malta, the Malta Accountancy Board and the Malta Gaming Authority (MGA) in order to promote communication and collaboration in the implementation of AML and CFT regulation.

The agencies have agreed to share expertise and resources, allowing the FIAU to increase its understanding of the financial risks across sectors and to extend its capacity to effectively supervise licensed entities. The strengthened relationship between the agencies means that the FIAU is able

to conduct joint supervision investigations, significantly increasing industry protections against financial crime. The MoUs also outline how the FIAU can increase collaboration including the training of officials across the Central Bank of Malta, the Malta Accountancy Board and the MGA.

Meanwhile, the pandemic has failed to hinder the work of Malta's AML/CFT supervisory authority, with the FIAU supervising entities by executing virtual visits in order to maintain effective scrutiny.

The regulator carried out 16 AML/CFT supervisory examinations in April alone, and launched a further 22 in May in order to assess compliance and the entities' commitment to their regulatory obligations.

It also received 331 STRs or Suspicious Transaction Reports in April, and another 122 during the first half of May; and sent to counterpart FIUs across the globe 282 Spontaneous Intelligence Reports in April and another 115 during the first half of this month.

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MGA strengthens fight against match fixing

COVID-19 has not distracted the MGA's resolve to fulfil its regulatory objectives through these trying times.

In addition to signing its MoU with the FIAU, the Authority has agreed a similar agreement with the Malta Business Registry (MBR), specifically aimed at improving the sharing of information and co-operation between the Authority and these two entities. MGA's CEO, Heathcliff Farrugia highlighted the importance of collaboration especially when it comes to combatting Money Laundering and Funding of Terrorism threats:

“These MoUs underpin our resolve to ensure Malta's gaming sector is kept free from crime, preventing money laundering and combating the funding of terrorism.”

Another significant data sharing agreement was signed with the International Cricket Council (ICC) in order to strengthen the fight against the manipulation of sports & match fixing, which has been high on the MGA's agenda following the setting up of a dedicated Sports Integrity Unit. The MGA has also reminded operators not to seek to take unfair advantage of vulnerable players due to the COVID-19 situation, ensuring that marketing remains socially responsible.

The Malta Bankers Association **supports** regulatory advances in Malta

The Malta Bankers Association ('Association' or 'MBA'), established in May 1962, represents the interests of the banking sector in Malta through advocacy, capacity building, education and networking. It is also a full member of the Brussels-based European Banking Federation and the European Payment Council.

Since the 1990s the Association and its member banks have been actively engaged in promoting the highest standards of AML compliance, mindful that these are key to a healthy development of Malta as an international financial and business centre. Over the years the MBA has co-operated fully with both local and international bodies, including the IMF, FATF and MONEYVAL, to ensure that Malta continuously raises the bar in PML and CFT measures. And in recent times it has been particularly focused on addressing the recommendations set out by MONEYVAL, working in conjunction with the regulatory authorities, particularly the FIAU and MFSA.

The MONEYVAL Report emphasised that the financial sector's appreciation of financial crime compliance and related risks varies, with some segments and professions showing serious deficiencies. Whilst the banks generally scored quite well in this regard, members wholly recognise the fundamental importance of reducing the risk of ML/FT and are dedicating significant resources to this effect, acknowledging that there is still room for improvements.

In recognition of the urgency of this matter, over the last year the MBA has worked closely with the authorities to collate feedback from its 23 members through its internal PML Committee. As in the past, it has continued to give feedback to several regulatory consultation papers to ensure that the experience gained from their operations and practical issues encountered could be reflected in any proposed regulatory enhancements.

Karol Gabarretta, Secretary General of the MBA said, "The Association acknowledges the tangible improvements made by the authorities in terms of increased resources and expertise. This has corresponded with various measures, practices and protocols implemented by the member banks, such as de-risking resulting from the adoption of stricter risk-appetites, rigorous onboarding procedures, extensive transaction monitoring, more

comprehensive screening of persons and jurisdictions and ongoing monitoring of client relationships. These and other changes resulting from the banking sector's experience and coverage permit Malta to shore up practices and standards in other sectors which should help the reputation of the jurisdiction to strengthen. Moreover, the MBA has sustained the development of more constructive working relationships with the relevant competent authorities, driven by the common goal of full and complete collaboration in the fight against ML and FT. All members are committed to a robust public-private partnership to tackle a common goal and reach the same objective."

Over the years the Association has also actively collaborated in efforts to disseminate information and education, the latest in February 2020 with the co-hosting, with ARQ, of the AML & Financial Crime Conference attended by over 200 delegates. The event focused on the findings and actions resulting from MONEYVAL's 5th round evaluation and the need to restore Malta's reputation, while also gathering valuable insight about the steps the country needs to take to enhance the mechanisms to combat corruption, organised crime, money laundering and other serious financial crime.

Karol Gabarretta, Secretary General of the MBA added, "The conclusions and recommendations gathered from this event, together with the regular meetings that the MBA has with the regulatory authorities, have crystallised into two areas for further attention. The first is the need for careful consideration when exploring new areas of economic activity and being fully mindful of the risks that they carry and the attraction for financial crime and money laundering. And the second, seeing the efforts taking place to strengthen prudential and AML/CFT supervision, the need for independence of the regulatory and supervisory authorities. Both areas continue to be structural areas of discussion that the MBA remains close to regulators and lobbies on."



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Contributing Institutions