

Understanding Maltese Legislation on Anti- Money Laundering and Combatting the Funding of Terrorism

12th November 2025

Valeria Catalano

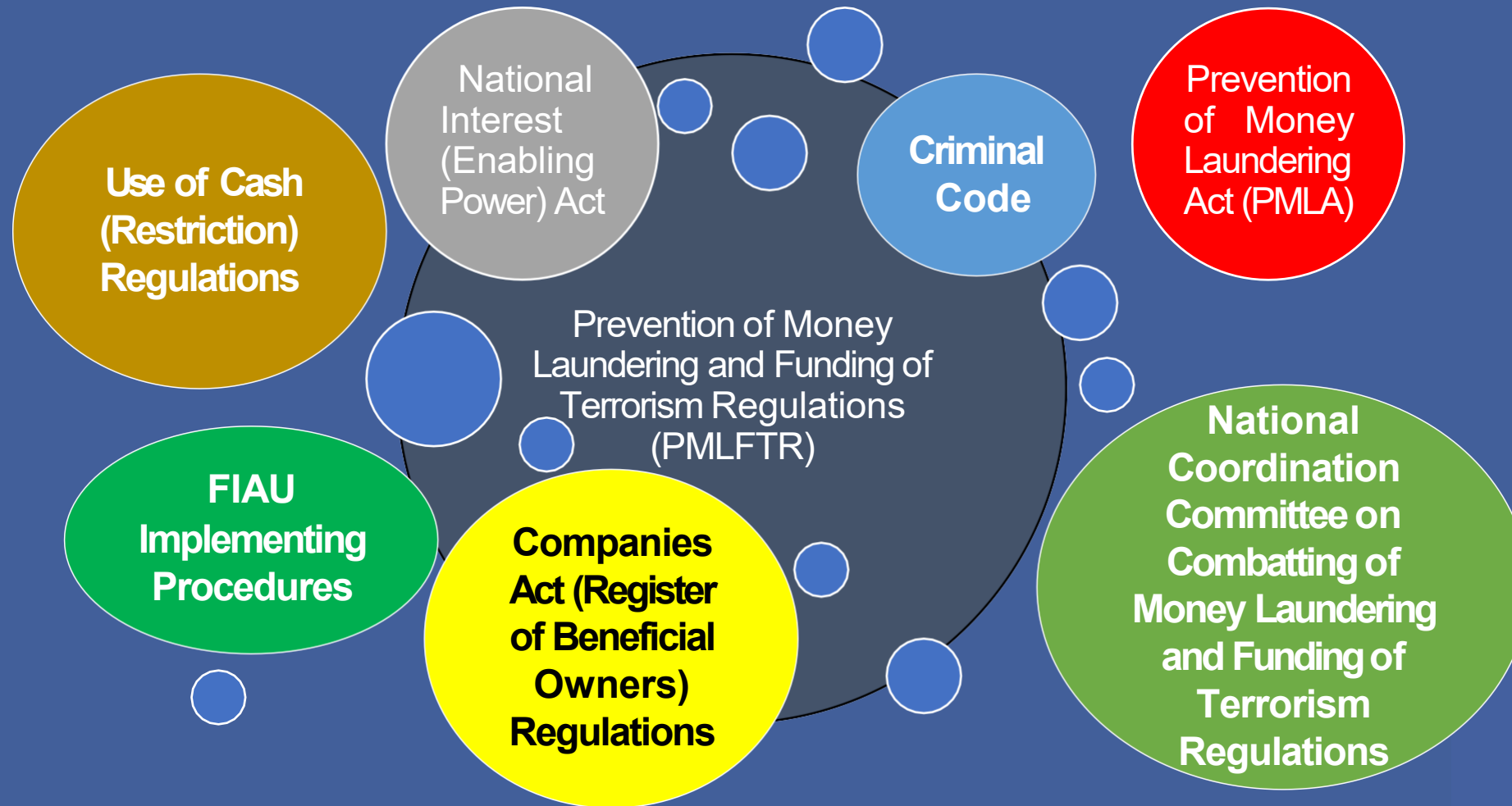


Agenda

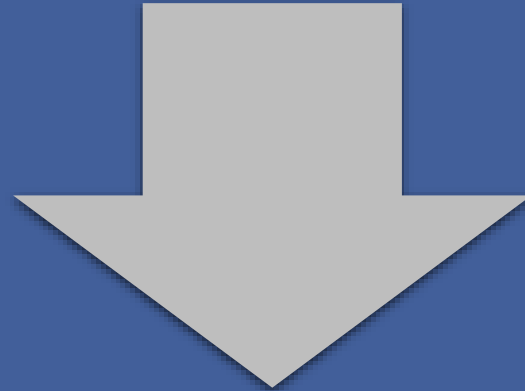
- Introduction to local AML/CFT legislative framework
- Main Legislation
- Subsidiary Legislation
- European Measures
- International Measures
- Role of Local Supervisory Authorities
- Questions
- Concluding remarks



Local AML/CFT framework



To whom does this framework apply?



Auditors, accountants, tax advisors and equivalent

Real estate & letting agents

Dealers in works of art

Notaries and other independent legal professionals when participating in financial or real estate transactions

Trust and company service providers

Nominee companies

Gaming licensees

Casino licensees

Payments in cash of €10,000 or more when trading in goods other than those mentioned in the Use of Cash (Restriction) Regulations (such as furniture – unless considered as antiques)

Banks

Financial institutions

Providers of investment services

Long term insurance or insurance intermediary business

Administrators of Collective Investment Schemes

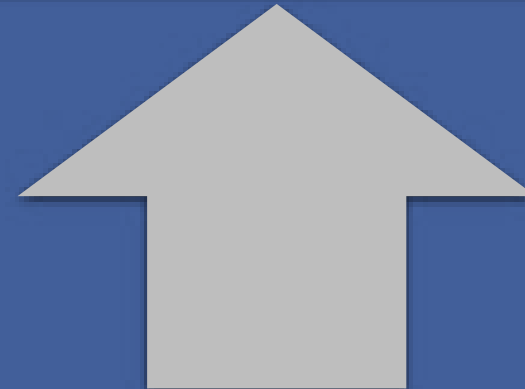
Collective Investment Schemes

Retirement schemes

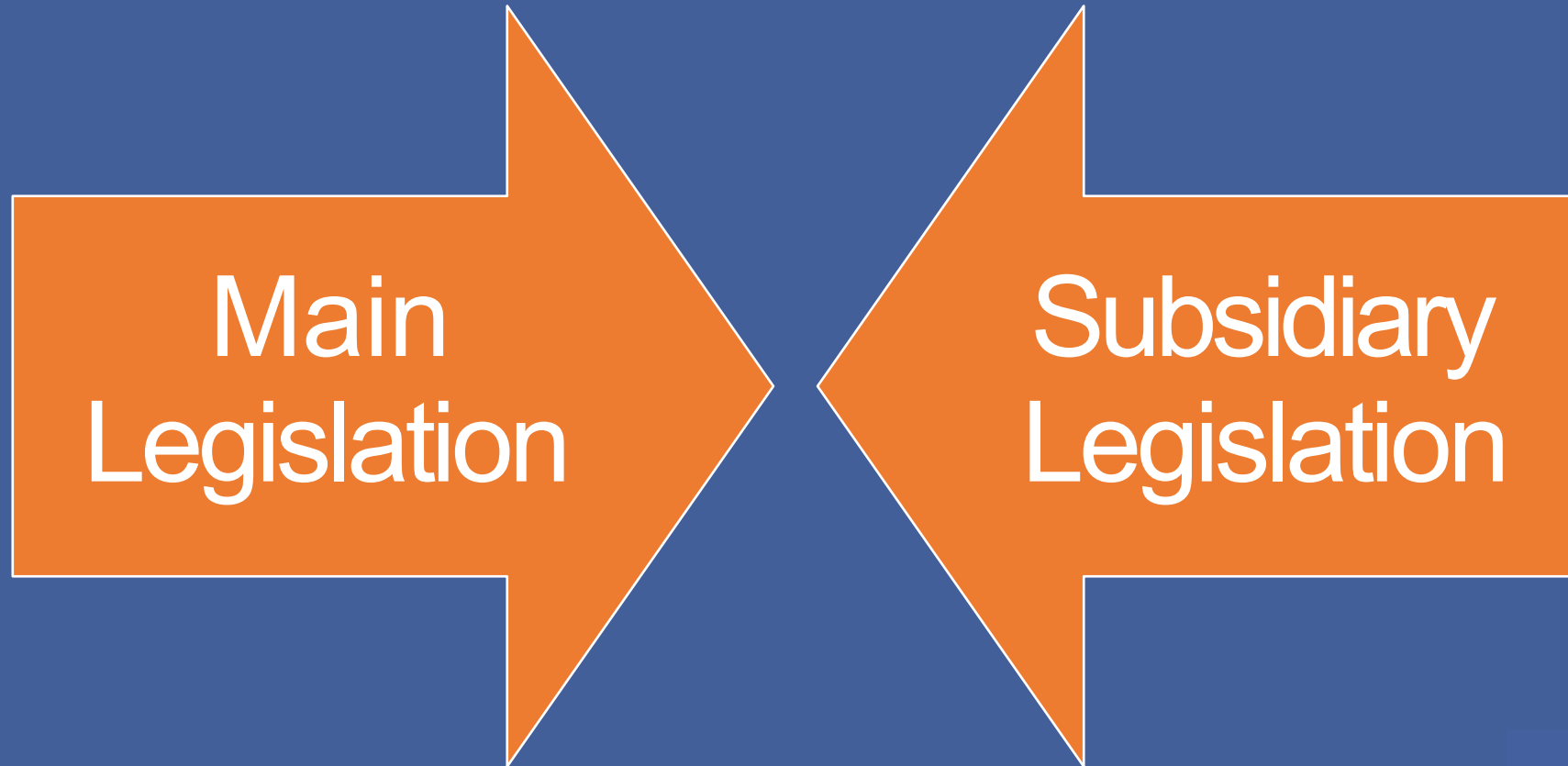
Regulated market

Safe custody services

VFA Agents, Licence Holders and Issuers



The Laws and Regulations



Main Legislation



Prevention of Money Laundering Act (PMLA)

The PMLA establishes the foundations for the legal framework by:

1. introducing basic legal definitions;
2. laying down the procedures for the investigation and prosecution of money laundering offences; and
3. establishing the Financial Intelligence Analysis Unit (“**FIAU**”).



Understanding ML under the PMLA

The definition provide an exhaustive list of acts that constitute money laundering under Maltese law, namely:

- i. the **conversion or transfer of property** knowing or suspecting that such property is derived directly or indirectly from, or the proceeds of criminal activity or form an act or acts of participation in criminal activity, for the purpose of or purposes of concealing or disguising
- ii. The **concealment or disguise of the true nature, source, location, disposition, movement, rights with respect of, in or over, or ownership of property**, knowing or suspecting that such property is derived directly or indirectly from criminal activity or from an act or acts of participation in criminal activity;
- iii. The **acquisition, possession or use of property** knowing or suspecting that the same was derived or originated directly or indirectly from criminal activity or from an act or acts of participation in criminal activity;
- iv. **Retention without reasonable excuse of property** knowing or suspecting that the same was derived or originated directly or indirectly from criminal activity or from an acts of participation in criminal activity;
- v. **Attempting** any of the matters or activities defined above; and
- vi. **Acting as an accomplice** in respect of any of the matters or activities above.



Article 2(2) PMLA

- a) A person may be convicted of a ML offence under this Act even in the absence of a judicial finding of guilt in respect of the underlying criminal activity (predicate offence), the existence of which may be established on the basis of circumstantial or other evidence without it being incumbent on the prosecution to prove a conviction in respect of the underlying criminal activity and without it being necessary to establish precisely which underlying activity.
- b) **A person can be separately charge and convicted** of both a ML offence under this Act and of an underlying criminal activity from which the property or the proceeds, in respect of which he is charged with ML, derived.



Article 3 – Investigation and Prosecution of Offences

Is there liability for natural persons
and corporate criminal liability too? →

YES



Article 3(2)
PMLA

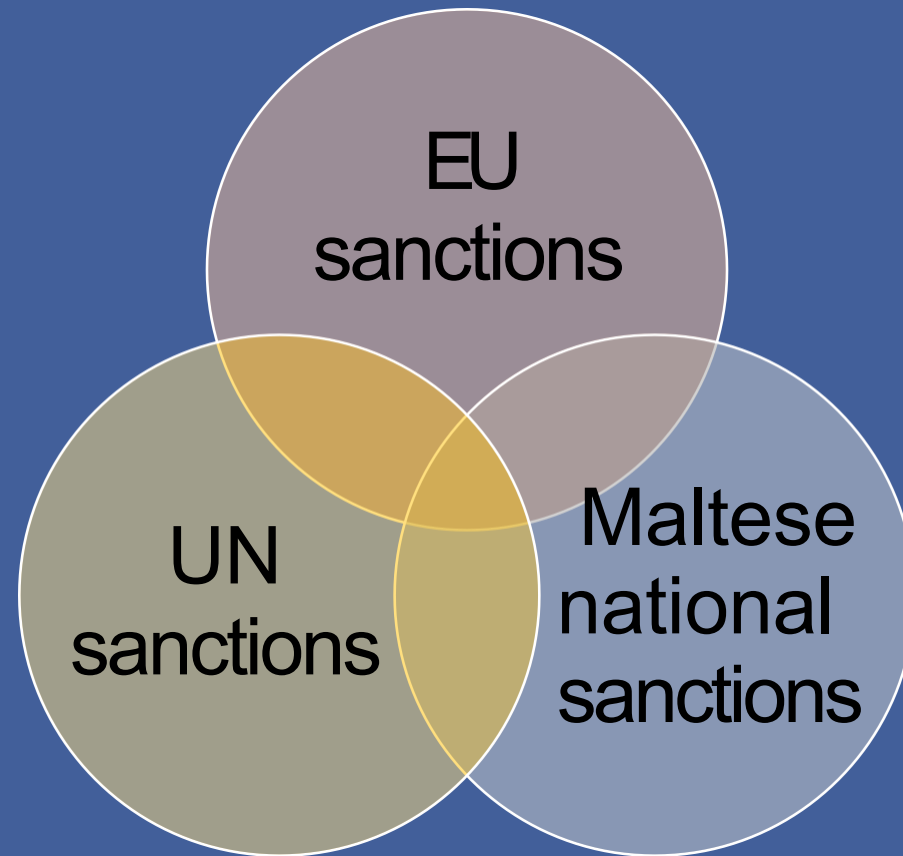


National Interest (Enabling Powers) Act

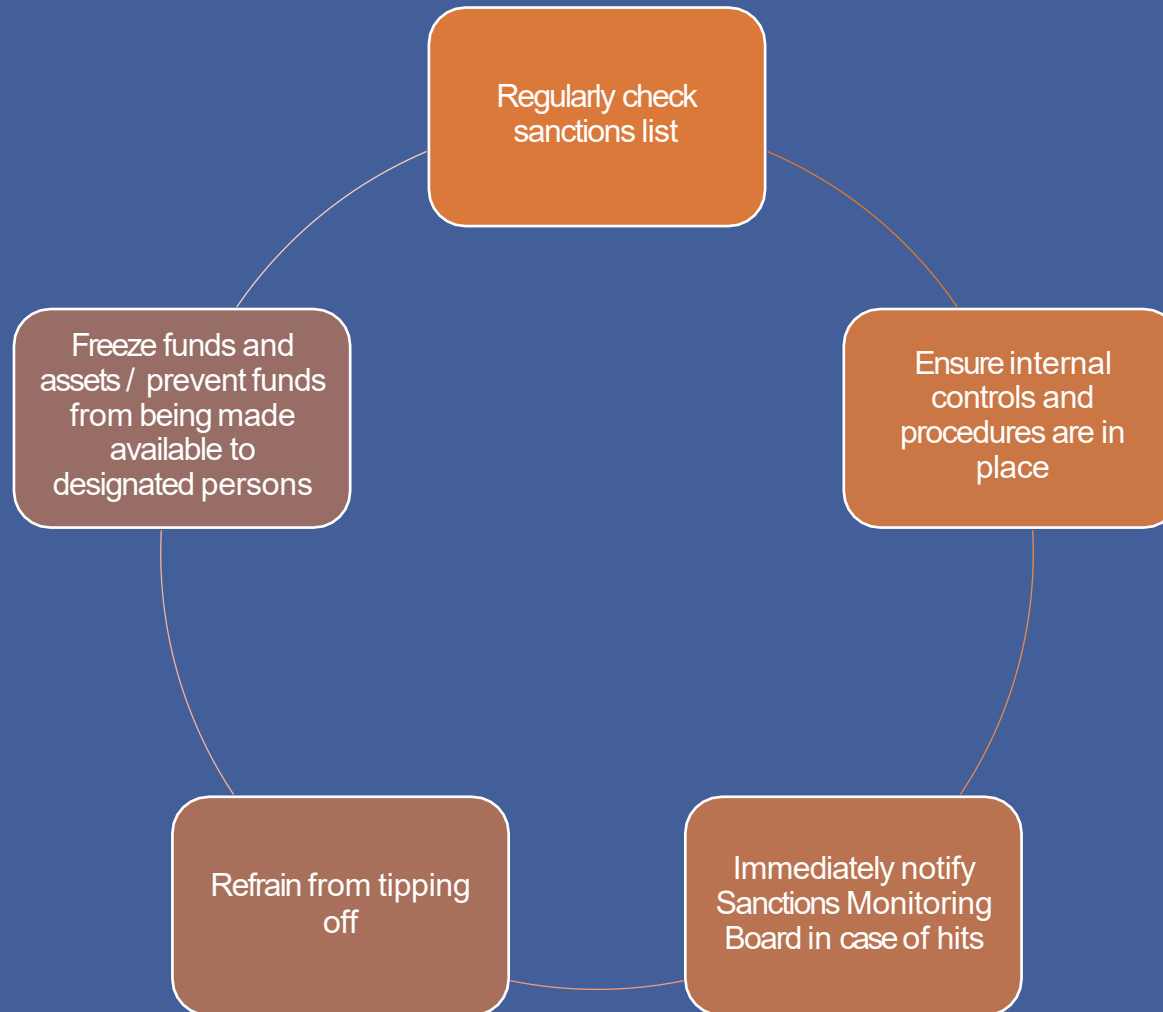
To enable the implementation of certain treaties and measures and the restriction of trade and travel where the national or international interest of Malta so requires and to enable effect to be given to certain provisions of the Charter of the United Nations.



What Sanctions are applicable under the Act?



Subject Person obligations under the Act



Administrative Penalties under the Act

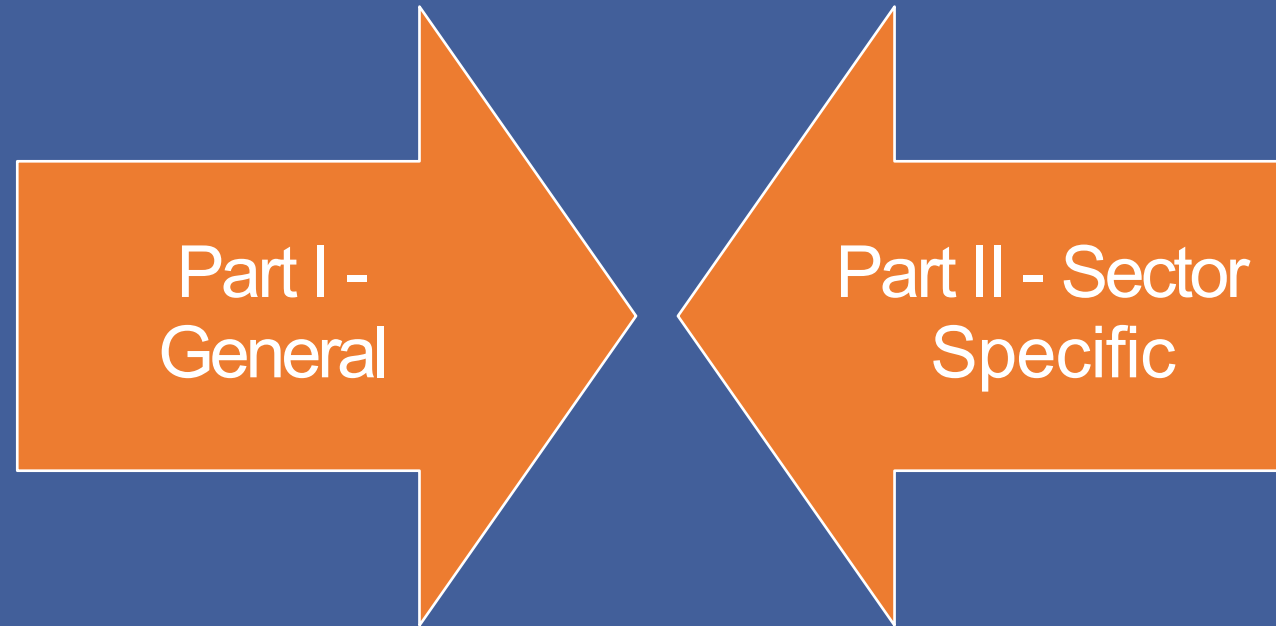
Breaches	Administrative Penalties
<p>Natural Persons:</p> <ul style="list-style-type: none">• Imprisonment (min. 12 months / max 12 years); and/or• Fine (not less than €25,000 and not exceeding €5 million) <p>Legal Persons:</p> <ul style="list-style-type: none">• Fine (min. €80,000 / max. €12,000,000)	<ul style="list-style-type: none">• €100 to €300 for every separate contravention• €300 to €800 for serious, repeated or systematic breaches• Daily penalties not less than €50 and up to €1,000• Directives in writing• Reputational damage through publication of penalties that exceed €800

Subsidiary Legislation





FIAU Implementing Procedures



Use of Cash (Restriction) Regulations

The Use of Cash (Restrictions) Regulations are a set of legal provisions that make it illegal to make or receive cash payments of €10,000 or more for the following goods:

1. Motor-vehicles
2. Sea craft
3. Works of art
4. Antiques
5. Immovable property
6. Jewellery, precious metals, precious stones, and pearls

Cash payments below €10,000 are not restricted. The Regulations do not restrict the amount of cash that can be used on goods other than those mentioned above. The Regulations do not restrict payments made through means other than cash.



Do the Cash Regulations apply to purchases between private individuals?

- Yes. These Regulations apply also in cases of private, non-commercial transactions.
- By way of example, a person selling their used personal vehicle through a social media website would have to abide by the Regulations and would, together with the buyer, be committing a criminal offence if the seller were to accept cash as payment in excess of €9,999.99 from the buyer.



Companies Act (Register of Beneficial Owners) Regulations

- The purpose of the Register of Beneficial Owners as held by the MBR is to improve **corporate trust and transparency** in Maltese-registered commercial partnerships by making it clear – to law enforcement agencies, regulators, obliged entities, other businesses and the public – who **ultimately owns and controls** Maltese commercial partnerships.
- The aim is to deter ML/FT and to help sanction those who hide their ownership or control of Maltese entities for the purpose of facilitating illegal activities.



What must companies do to comply?

Every company shall obtain and at all times hold adequate, accurate and up-to-date information in respect of its beneficial owners, which shall include the following particulars at the very least:

- (a) each beneficial owner's name, date of birth, nationality, country of residence and official identification document number that indicates the type of document and its country of issue;
- (b) the nature and extent of the beneficial interest held by each beneficial owner and any changes thereto;
- (c) the effective date on which a natural person became, or ceased to be, a beneficial owner of the company or increased or reduced his or her beneficial interest in the company.

Any natural person who has reasonable cause to believe to be a beneficial owner of a company shall be bound to provide the information to the company without delay.



Different BO Statutory Forms

Form BO1: Declaration on Beneficial Owners in terms of Regulation 3 (before a commercial partnership is incorporated)

Form BO2: Notice on Beneficial Owners in terms of Regulation 6 (changes in beneficial ownership of a commercial partnership)

Form BO3: Declaration on Beneficial Owners in terms of Regulation 8 (existing companies were obligated to submit this declaration by June 2019)

Form BO, Annual Confirmation: Declaration on Beneficial Owners in terms of Regulation 6A (annual confirmation that BO info is accurate and up-to-date)

Registration Timeframes

Form BO1: immediately, together with the incorporation documents.

Form BO2: 14 days from the effective date of every change. In case of an increase in share capital and transfer causa mortis, the time frame is one month from the effective date.

Changes in Senior Management Officials: 14 days from the effective date of every change.

Annual BO Confirmation: 42 days from the anniversary date of the commercial partnership.

European Union Measures



4th and 5th AMLD

In 2015, the EU adopted a modernised regulatory framework encompassing:

- Directive (EU) 2015/849 on preventing the use of the financial system for money laundering or terrorist financing(**4thAMLD**);
- Regulation (EU) 2015/847 on information on the payer accompanying transfers of funds—makes fund transfers more transparent, thereby helping law enforcement authorities to track down terrorists and criminals.
 - Both take into account the 2012 recommendations of the FATF, and
 - go beyond and impose tighter control on a number of aspects.

In 2018, Directive (EU) 2018/843 (**5thAMLD**) was introduced which amended the 4thAMLD and brought substantial improvement to better equip the Union to prevent the financial system from being used for ML and FT activities by:

- ❖ Enhancing transparency
- ❖ Enhancing the powers of the EU Financial Intelligence Units
- ❖ Limiting the anonymity related to virtual currencies and wallet providers
- ❖ Broadening the criteria for the assessment of high-risk third countries
- ❖ Setting up central bank account registries or retrieval systems in all Member States
- ❖ Improving the cooperation strengthening of information between anti-money laundering supervisors



Why revise 4th AMLD?



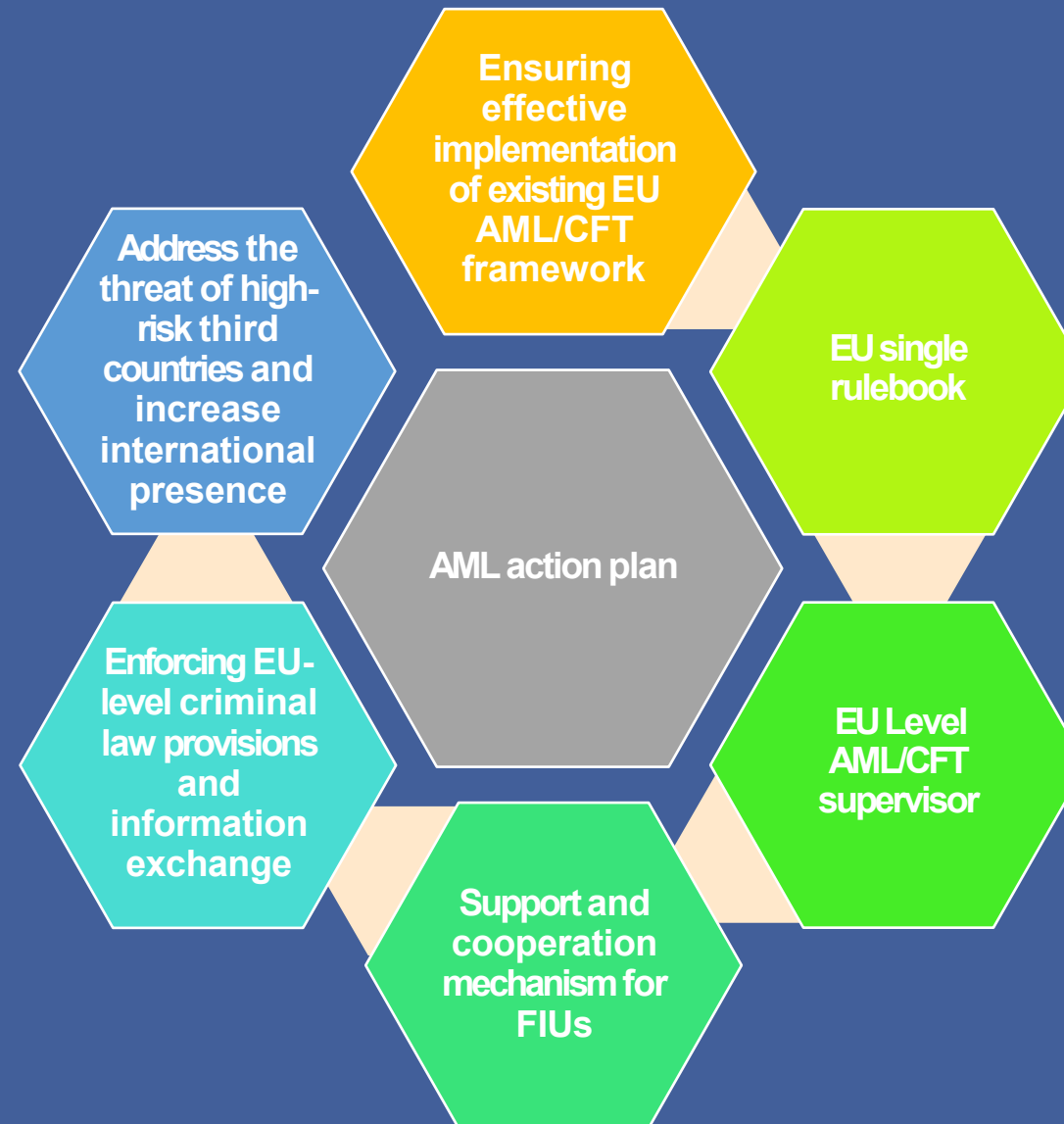
6AMLD

Definition of Money Laundering	Convictions	Sanctions
<ul style="list-style-type: none">• Harmonised list of 22 predicate offences• In scope: tax crimes, cybercrime, self-laundering• Out of scope: environmental crimes• Aiding, abetting and attempting to commit an offence of money laundering will also be illegal	<ul style="list-style-type: none">• It will not be necessary for there to be a criminal conviction for the underlying predicate offence nor will its perpetrator have to be identified in order to secure a conviction• For predicate offences committed in another Member State or third country, the offence must be illegal in both the home State and the other jurisdiction	<ul style="list-style-type: none">• Imprisonment for at least five years for serious offences• Ban from employment in the public sector and from standing for an elected public office• Criminal liability to entities and corporate offence for failing to properly supervise any of the individuals who can accrue criminal liability to the entity• Convicted entities to be debarred from obtaining public contracts, prohibited from claiming public benefits / aids, temporary or permanent ban from conducting business, compulsory winding up, and/or temporary or permanent closure of business units through which offence was committed.

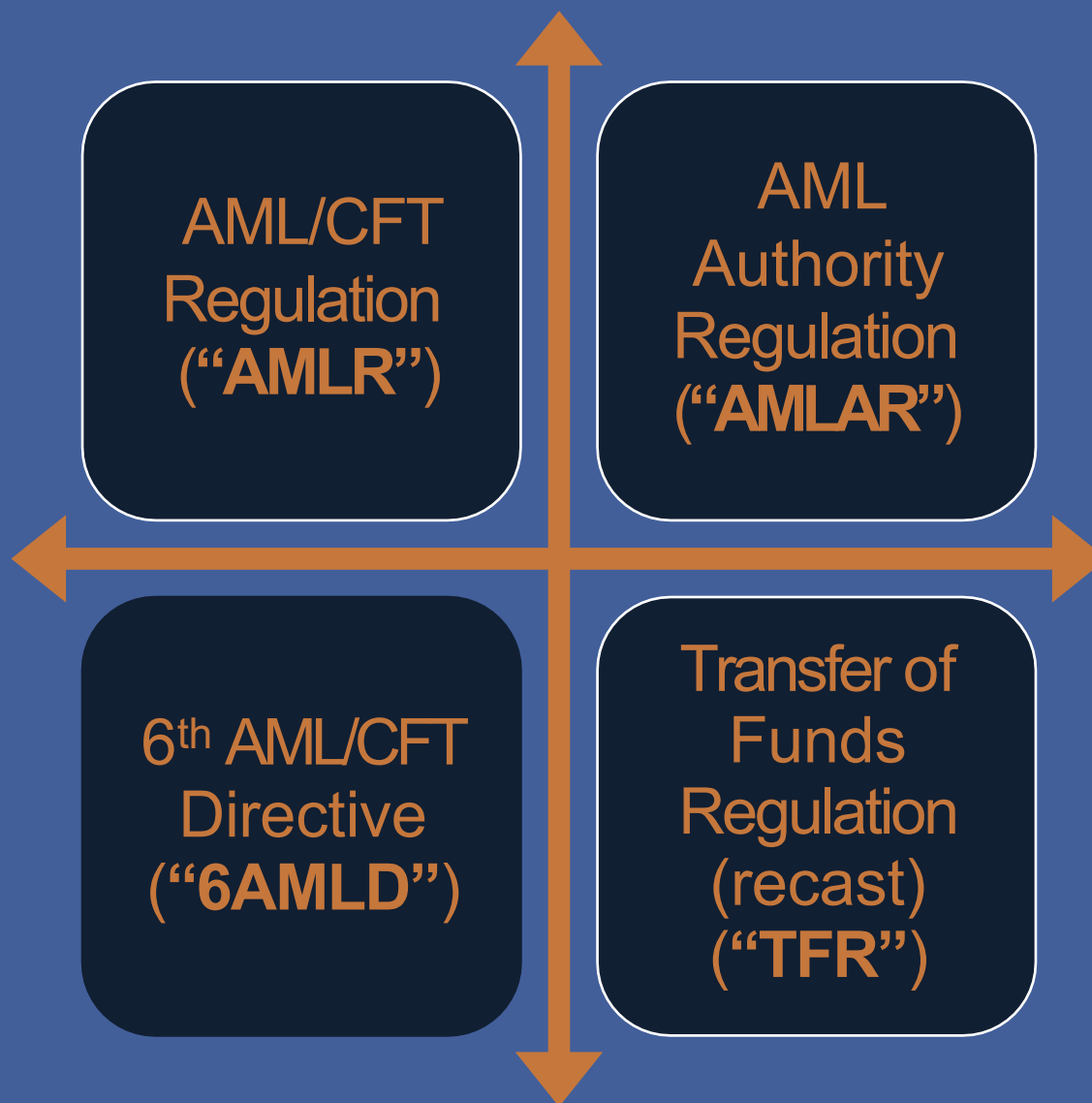
Looking toward the future



Six pillars of the plan



What does the EU AML/CFT Package contain?



Why was reform necessary?

Lack of direct applicability, resulting in a fragmented approach



Lack of clear and consistent rules



Inconsistent supervision and insufficient coordination among FIUs



Does not effectively deal with cross-border situations



AML Regulation

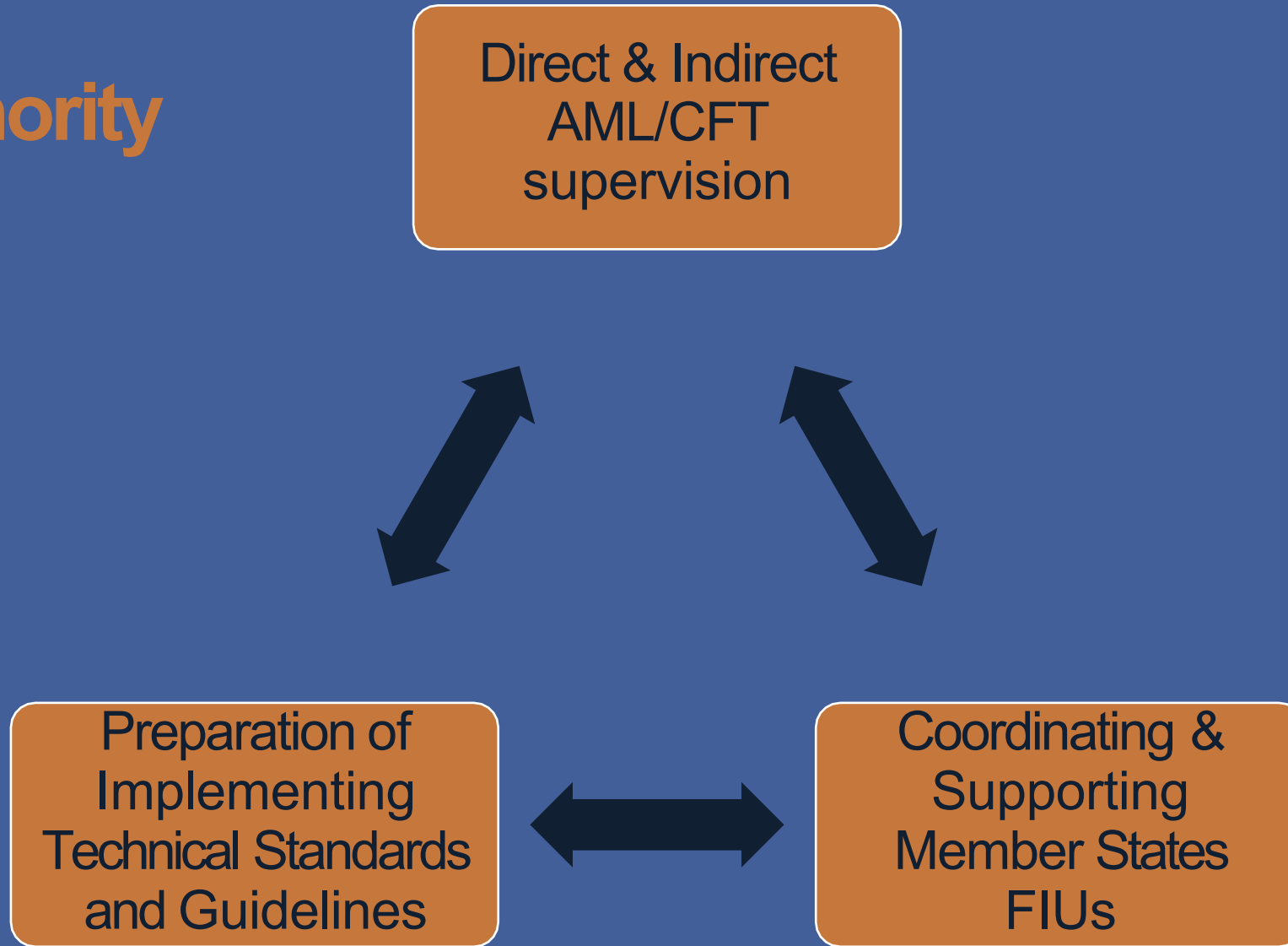
What's new

- Expanded list of obliged entities
- Capping of all cash payments to €10,000
- Definition of family members extends to siblings of PEPs
- Threshold for OTs lowered: €15k to €10k
- ID&V of customer when carrying out OT in cash over €3k
- EDD measures for HNWIs
- Reporting of discrepancies with information held in the BO register
- Obligation to disclose beneficial ownership of legal entities incorporated outside the EEA
- Outsourcing will entail notification to supervisory authority

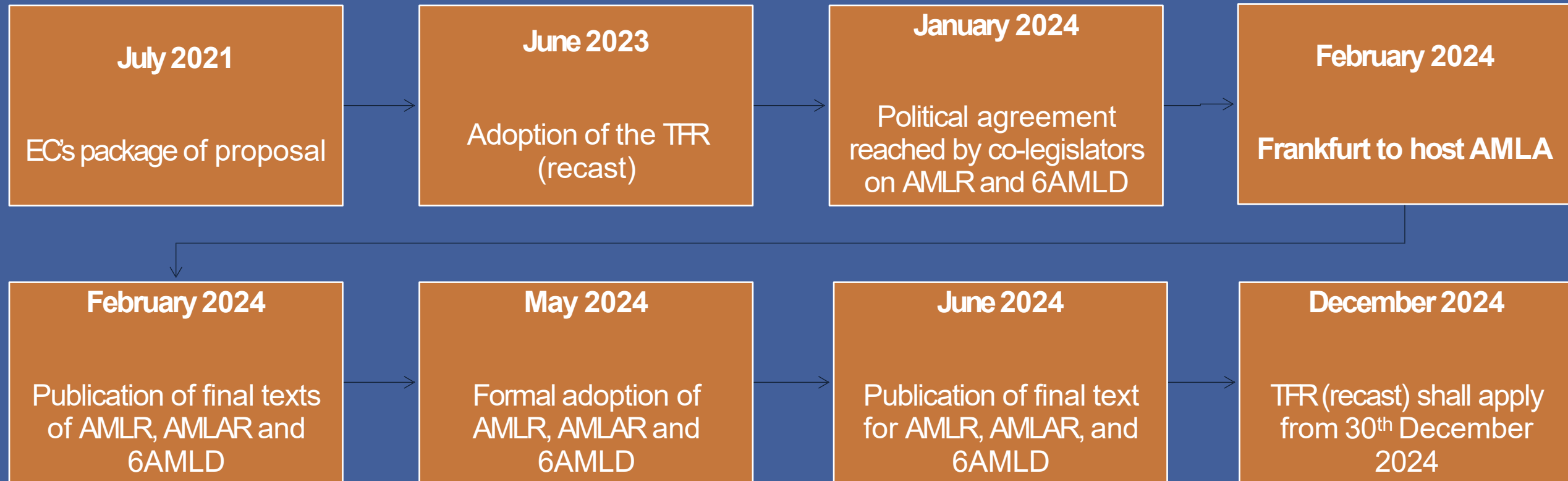
What changes

- Definition of beneficial ownership
- Threshold of BO lowered to 25% from 25%+1 rule and may be decreased further in high-risk situations
- Determination of beneficial ownership when a customer is owned by a trust

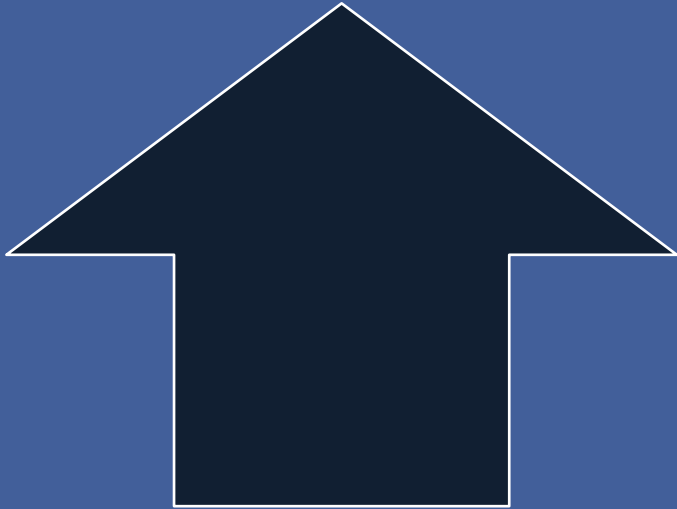
AML Authority



Timelines – Legislative Process

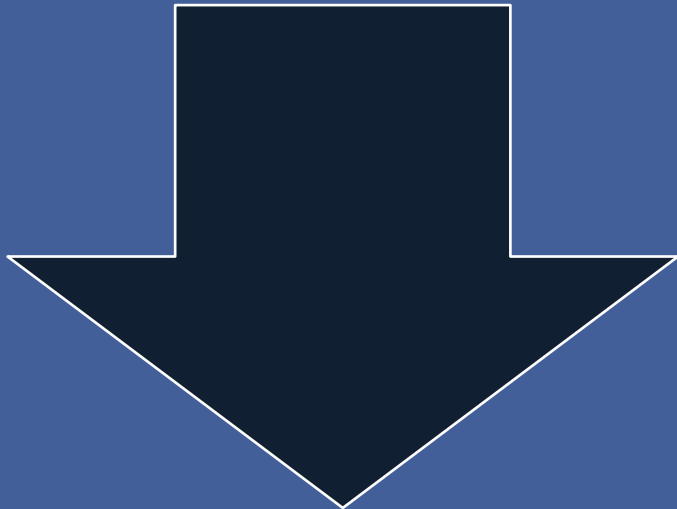


Timelines – Legislative Application



AMLAR

- AMLA to commence operations in July 2025 and assume direct supervision in 2026



AMLR

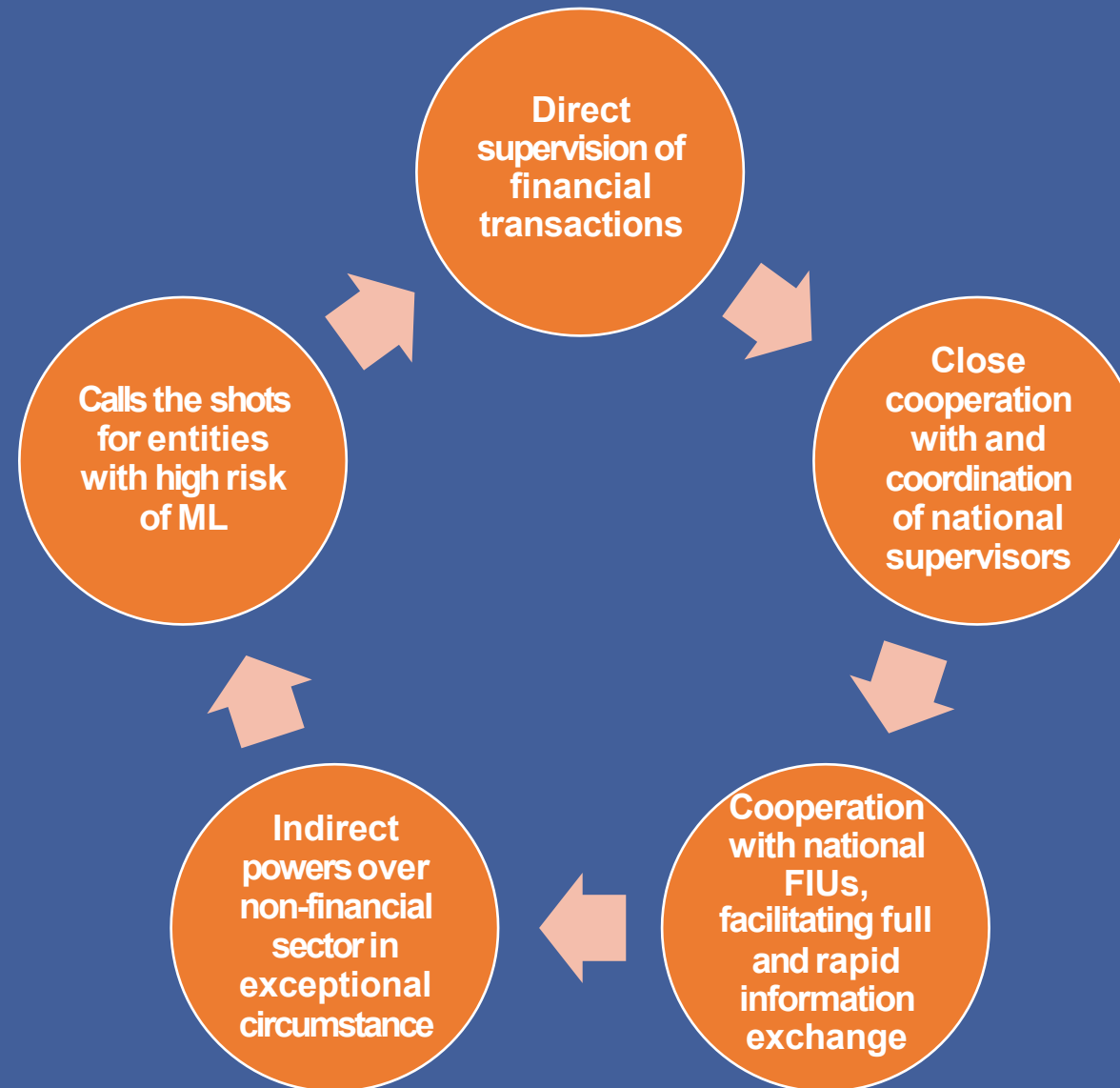
- Rules will apply 3 years following entry into force (mid 2027)

Key Goal

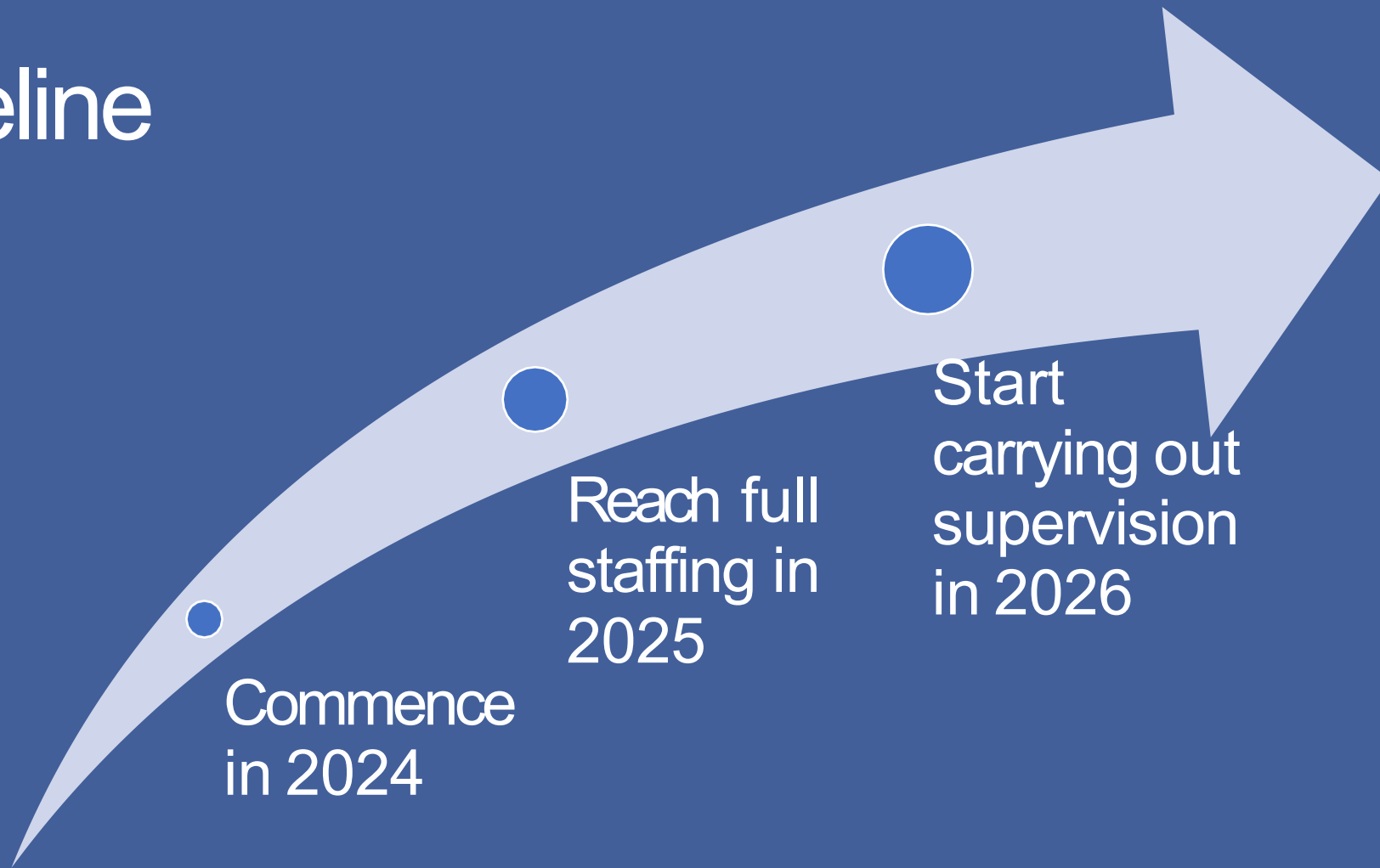
The key goal of the Commission's package is more **effective EU supervision** and a genuine **uniformity of rules**



EU Anti-Money Laundering Authority (AMLA)



Timeline



Will national supervisors and FIUs be abolished?

- National supervisors and FIUs (i.e. FIAU) **will remain in place** as key elements of the EU's enforcement system for AML/CFT.
- The EU Authority will replace national supervisors only as a supervisor of a small number of cross-border financial sector entities in the highest risk category.
- The new package will create an integrated EU AML supervisory system closely involving national supervisors and the EU AML Authority.
- The Authority will also play a key role in supporting national FIUs in the conduct of joint analysis but will not be an FIU itself and will not replace national FIUs.



International Measures



Why is knowledge of international measures important?

- AML/CFT professionals should be aware of important international developments and the strategies and standards on which their domestic AML/CFT laws and strategies are based. Country risk assessment is now an important requirement and those countries that do not fully adopt the international standards must be judged accordingly. Even membership of the FATF alone does not guarantee that a jurisdiction can be regarded as having a robust AML/CFT regime.
- An awareness of international trends and developments can also assist AML/CFT professionals in implementing proactive measures to ensure timely compliance with future amendments that are likely to follow within the jurisdictions in which they operate.
- Knowledge of the circumstances in which certain relationships and transactions can expose an organisation and its employees to the jurisdiction and laws of other countries is also important. Such awareness should enable the AML/CFT function to influence and apply enhanced due diligence measures and controls where appropriate.



It is relevant to understand

- the ML/TF risks represented by other countries, customers from other countries and transactions with other countries
- punitive, remedial or reactionary developments in respect of other jurisdictions, which may affect your business
- likely trends and changes internationally that may affect the AML/CFT framework in which you operate
- international expectations of your firm and (lead) jurisdiction in addition to domestic AML/CFT requirements
- any emerging typologies you may encounter
- sources of additional best practice or practical responses on problematic areas.

Since the late 1990s, the role of preventing global money laundering and, more recently, terrorism financing, has become the primary responsibility of a number of supranational organisations.

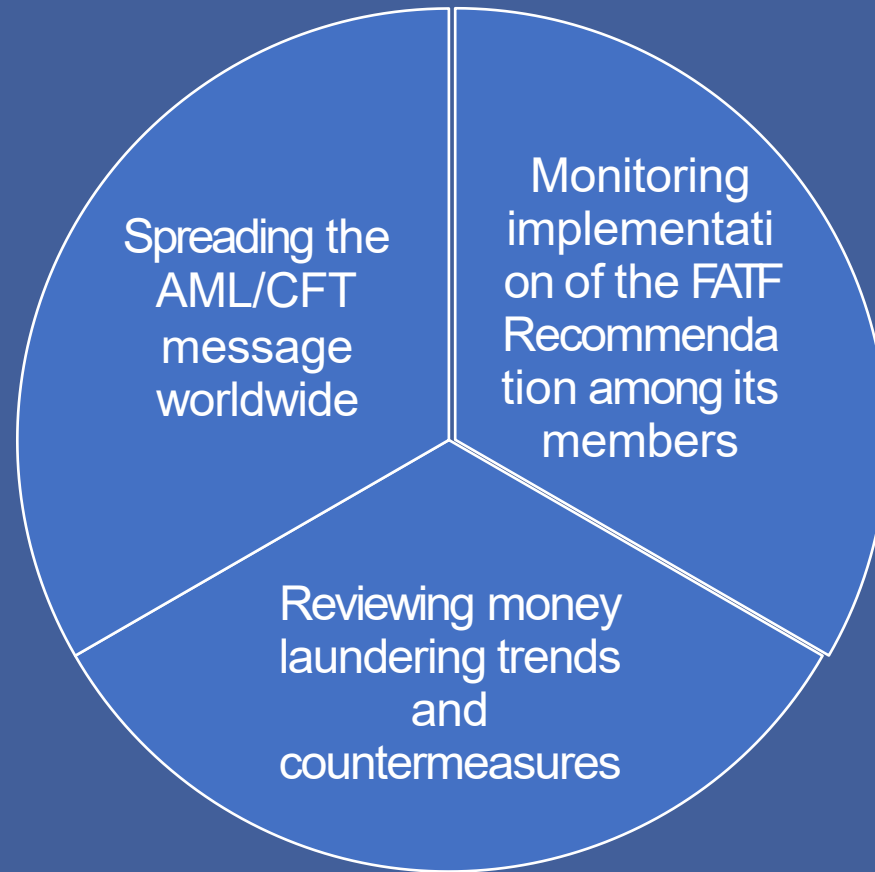


Financial Action Task Force (“FATF”)

- Money laundering is commonly carried out in an international context and therefore measures should be taken at a national, EU and international level.
- FATF has introduced several recommendations and modifications to prevent ML/FT. Its main role is to:
 - To set **international standards** to combat ML/FT;
 - **Assess and monitor compliance** with FATF standards;
 - Conducts **typology studies** of ML/TF methods, trends and techniques;
 - **Responds to new and emerging threats**, such as proliferation financing



FATF objectives



FATF 40 Recommendations

Some highlights of
the 40
recommendations

Risk-based approach

Designated categories of offences

Terrorist Financing and Financing of Proliferation

Knowledge and criminal liability

Customer Due Diligence Measures

Suspicious Activity Reporting

De-risking

Beneficial Ownership Transparency



Black List

- High-risk jurisdictions have significant strategic deficiencies in their regimes to counter ML/FT. The FATF urges those countries which are identified as high-risk **to apply EDD** and in very serious cases to apply counter-measures to protect the international financial system from the ongoing ML/FT risks emanating from the country.
- The countries on the **black list** are the following:
 - Democratic People's Republic of Korea (DPRK)
 - Iran
 - Myanmar (since October 2022)

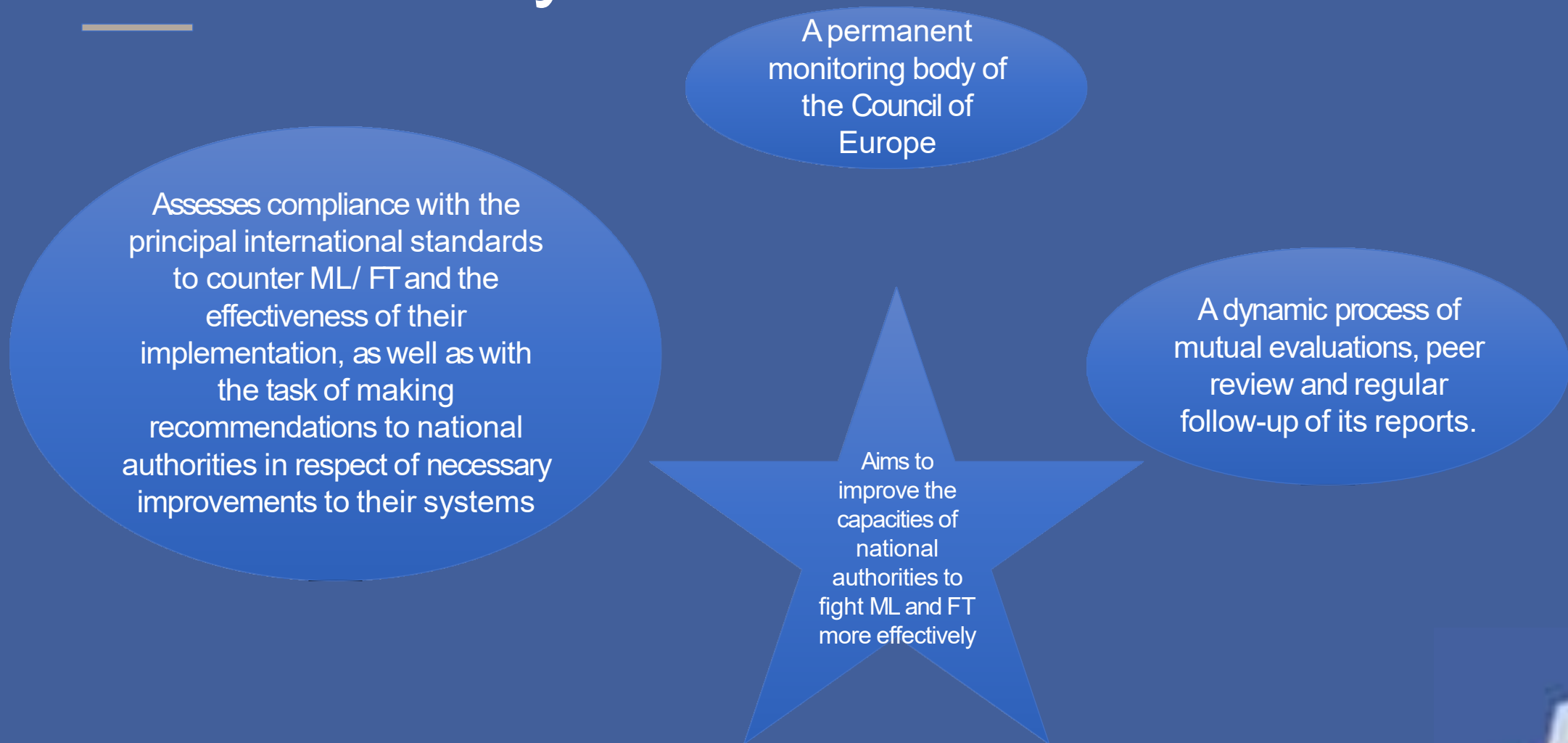


Grey List

Jurisdictions with strategic deficiencies (grey listed)
Algeria
Angola
Bulgaria
Burkina Faso
Cameroon
Cote D'Ivoire
Croatia
Democratic Republic of Congo
Haiti
Kenya
Lebanon
Mali
Monaco
Mozambique
Namibia
Nigeria
Philippines
South Africa
South Sudan
Syria
Tanzania
Venezuela, Vietnam & Yemen



What is Moneyval?

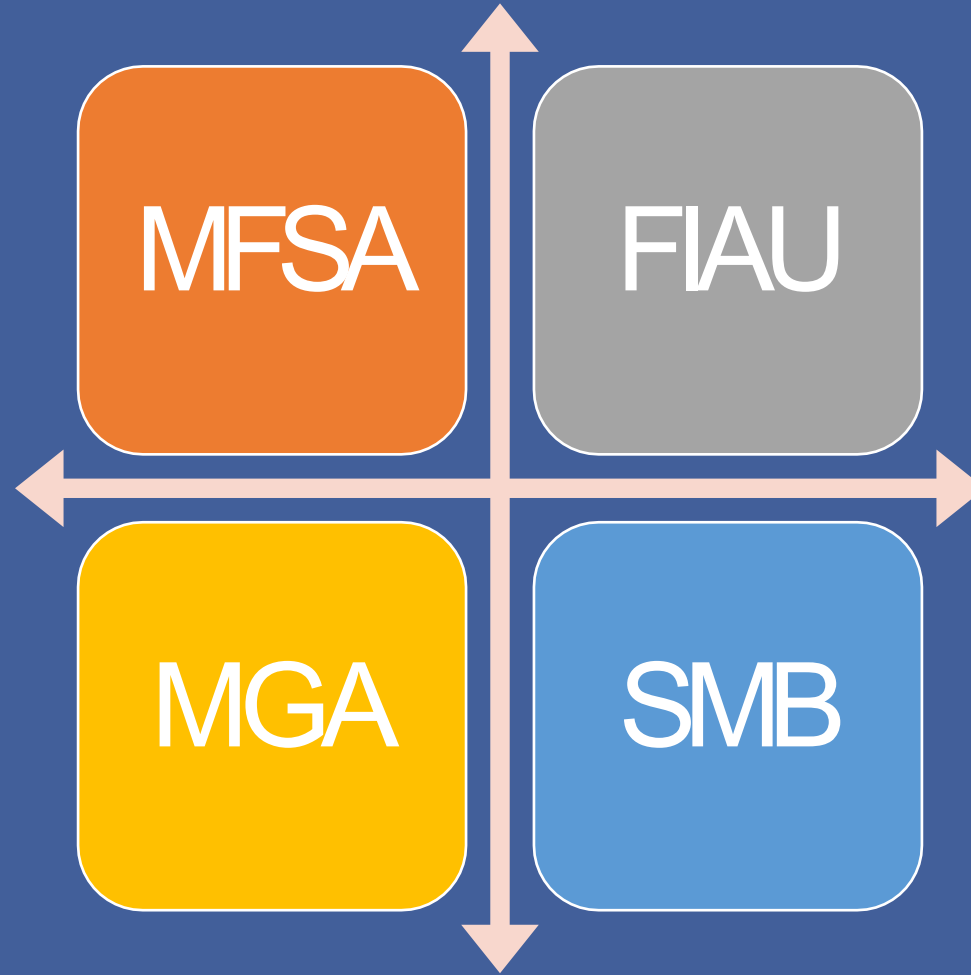


Egmont Group of Financial Intelligence Units

- An international network designed to improve interaction among 158 FIUs in the area of communication, information sharing and training coordination.
- The goal of the group is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against ML/FT and other financial crimes. This support includes:
 - Expanding and systematizing the exchange of financial intelligence information;
 - Improving expertise and capabilities of personnel employed by such organisations; and
 - Fostering better and more secure communication among FIUs through the application of technology.



Supervisory Bodies



Malta Financial Services Authority (MFSA)

- The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta. It is also the Listing and Resolution Authority. The MFSA regulates banking, financial institutions, payment institutions, insurance companies and insurance intermediaries, investment services companies and collective investment schemes, securities markets, recognised investment exchanges, trust management companies, company services providers and pension schemes. Since 2018, it is also responsible for regulating Virtual Financial Assets.
- The MFSA was set up through an Act of Parliament (Chapter 330 of the Laws of Malta) and its main functions include the protection of consumers, integrity of financial markets, financial stability and the supervision of all financial services activities.
- The MFSA also holds an advisory role to Government in the formulation of policies on matters relating to the financial services industry. In the carrying out of its functions, the MFSA collaborates closely with local and international institutions.



Financial Intelligence Analysis Unit (FIAU)



Powers of the FIAU

The FIAU's powers are wide-ranging and include the following:

- Demand information from subject persons which is deemed to be relevant and useful for the purposes of pursuing its functions;
- Impose administrative penalties on subject persons in cases of failure to comply with the PMLFTR;
- Issue a reprimand in writing for failure to comply with the PMLFTR;
- Require closure of branches of subject persons in specific circumstances (in collaboration with the relevant supervisory authority);
- Issue written directives requiring subject persons to do or refrain from doing any act (including, for example, requesting subject persons to terminate business relationships).



FIAUs compliance monitoring function

- FIAU is responsible for monitoring compliance by subject persons with the obligations set out under the PMLA and PMLFTR.
- The FIAU conducts risk assessments to understand the risk posed by the various sectors, businesses and professions and the various entities and individuals operating within these sectors.
- To fulfil this RBA (risk-based-approach) the FIAU conducts both off-site and onsite monitoring, and subject persons may be required to compile a Risk Evaluation Questionnaire.
- FIAU may also request the submission of other periodical reports in accordance with the authority granted to it under Regulation 19 of the PMLFTR.



Onsite inspections

- **On-site Inspection:**

- Visits to the premises of the subject person
- Determining the extent to which the subject person is implementing AML/CFT obligations in practice
- Meetings and interviews with key officials (such as MLRO)
- Reviews of a number of customer files and records
- Reviews of subject person's policies and procedures, and any automated system that the subject person may be using
- Subject persons normally informed beforehand of an impending onsite examination
 - ✓ They are then requested to provide information and documentation to enable the carrying out of the assessment
 - ✓ Such documentation include; client lists, as well as policy and procedure documents.
- FIAU may carry out surprise visits too, without any prior notice.



Offsite inspections

- Do not involve visits to subject person's premises
- Desk-review of information received or requested by the FIAU from the subject person
 - ✓ Such as AML/CFT procedures or policy documents
 - ✓ Risk assessment documentation
 - ✓ Ongoing monitoring methodologies
 - ✓ Other info –dependant upon the scope/purpose of the review
- Reviews may be carried out to assess:
 - ✓ The general implementation of AML/CFT obligations
 - ✓ To focus on particular and specific obligations
 - ✓ To analyse particular services or products.



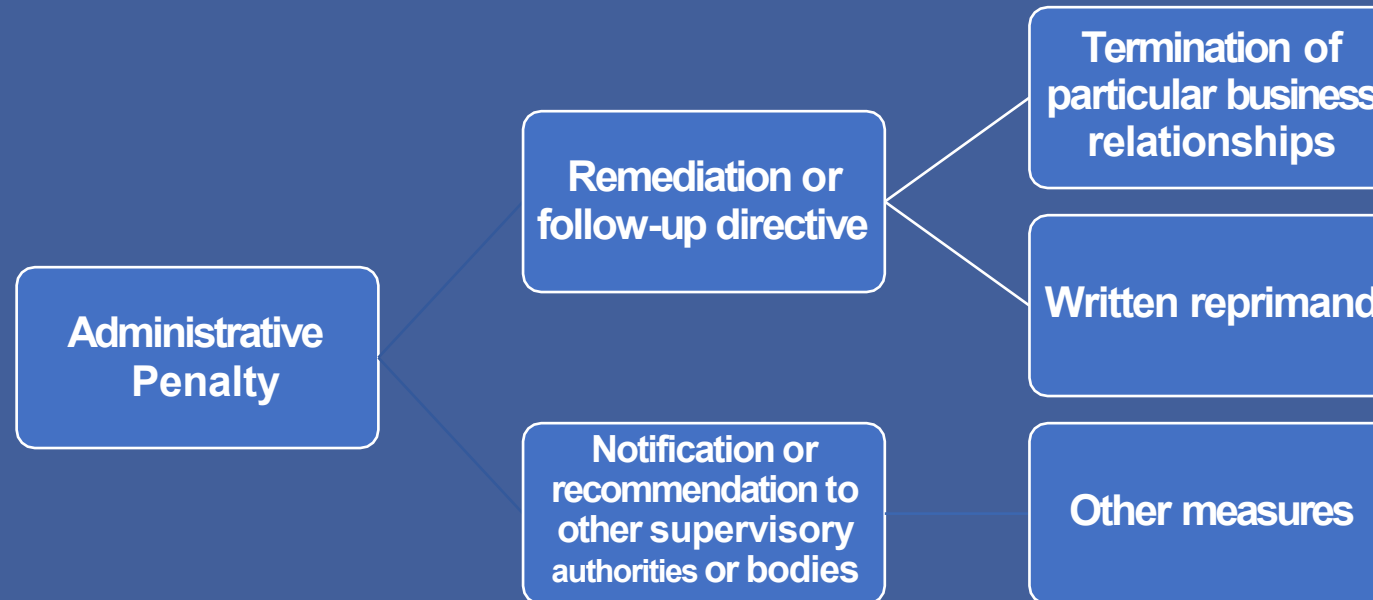
FIAU's role with regards to the Cash Regulations

- The FIAU has the function to monitor and to ensure compliance with this regulation. Thus, it can carry out on-site examinations on traders of high-value goods to which the Regulations apply and notaries, and may require them to answer any questions and provide the information or documentation that may be needed.
- The FIAU is also empowered to issue binding procedures and instructions on how traders and notaries are to comply with their obligations under the Regulations.



Identified Breaches: Enforcing Administrative Measures

- Identified breaches of AML/CFT obligations may result in the CMC enforcing administrative measures on the subject person concerned, and in some cases the CMC may also decide to impose two or more measures simultaneously. Administrative measures that can be applied include:



Non-Compliance with AML Requirements

The FIAU has the authority to act without the need for a court hearing or judgment for failure to comply with the regulatory/administrative AML requirements, such administrative failures include:

- Non-compliance with procedures to prevent ML/FT, namely:
 - ❖ Failing to maintain/apply procedures for CDD, recordkeeping and reporting
 - ❖ Failing to establish internal control, risk assessment, risk management, compliance management and communications
 - ❖ Commission of an offence under the PMLFTR by corporate/unincorporated bodies and other associations of persons
 - ❖ False declarations/false representation by an applicant for business
 - ❖ Failure to carry out CDD (Certain exemptions are applicable to electronic money businesses)
 - ❖ Failure to carry out reporting procedures and obligations
 - ❖ Tipping-off
 - ❖ Non-compliance with the IP, guidance and directives issued by the FIAU in terms of the PMLA and PMLFTR



Cooperation with other Supervisory Authorities

- The FIAU is empowered to cooperate with supervisory and regulatory authorities to ensure that the financial sector or any other sector is not misused for criminal purposes and to safeguard its integrity This is usually done by:
 - sharing of information with authorities empowered to issue licenses
 - authorisations to assist these authorities in their due diligence and fit and properness tests carried out to grant licenses or authorisations
 - carry out joint supervisory actions with foreign counterparts on obliged entities that have branches, majority owned subsidiaries or other physical establishments in Malta
 - subject persons that have branches, majority owned subsidiaries or other physical establishments in foreign jurisdictions.



Malta Gaming Authority (MGA)

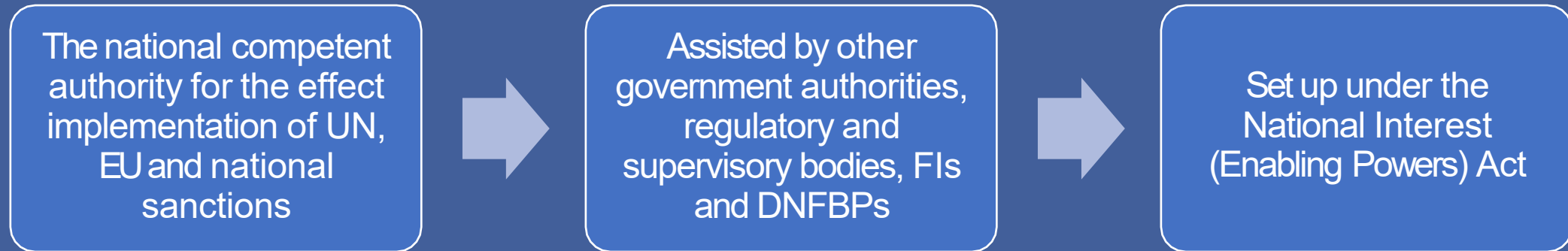
The MGA is the single, independent, regulatory body responsible for the governance of all gaming activities in Malta, both online and land-based.



MGA Preventive vs Supervisory Functions

Preventive Function	Supervisory Function
<p>The MGA has a vested interest to ensure that licences are issued or renewed only if it is reasonably satisfied that the applicant has the necessary policies, procedures and systems in place to effectively manage any AML/CFT risks inherent within its business, and that all the persons involved in the applicant company are fit and proper persons.</p>	<p>The MGA's supervisory functions, however, go beyond initial onboarding and are exercised on an ongoing basis.</p> <p>In view of this, the MGA AML Unit's primary responsibility is to conduct supervisory examinations on gaming licensees, jointly or on behalf of the FIAU.</p>
<p>To this end, the applicant is required to provide the MGA with the necessary due diligence documents in respect of its beneficial owners, directors and key functions. This due diligence exercise ensures the suitability of all persons involved in the conduct of gaming operations in and from Malta</p>	<p>The scope of these examinations is to assess the licensees' compliance with the AML/CFT obligations and the implementation of their AML/CFT policies, measures, controls and procedures.</p>
<p>As an additional measure, an applicant for the key AML/CFT function, also appointed by the company to hold the MLRO role, would need to undergo an appraisal which is aimed at assessing the applicant's competence and knowledge to occupy such role.</p>	<p>The examination process is three-fold and involves documentation review and analysis, the interviewing of licensee representatives as well as the testing of a sample of customers. The supervisory plans for such examinations are devised on a risk-based approach and jointly agreed with the FIAU.</p>

Sanctions Monitoring Board (SMB)



Sanctions Monitoring Board (SMB)

- Sanctions are increasingly being used as a tool to bring states, governments and non-government actors alike in line with international law and their effectiveness depends on their strict implementation.
- The role of the Sanctions Monitoring Board is to ensure the effective implementation of UN, EU and national sanctions with the assistance of other government authorities, supervisory bodies, FIs and DNFBPs. Following the 2018 amendments to the National Interest (Enabling Powers) Act, all UN, EU national sanctions are directly applicable under Maltese law.
- Hence it is incumbent on all to be vigilant at all times and to have systems in place to ensure the constant monitoring of transactions and client databases vis-a-vis applicable sanctions.



Functions of the SMB



Ensure effective implementation of sanctions

Propose the listing and de-listing of persons and entities

Receive and consider applications from designated persons or entities for de-listing or unfreezing of property

Authorize access to frozen funds or other assets

Take decision, make recommendations, grant authorisations, issue ruling, issue guidance and notices, and refer to the relevant authorities for action, assistance or information

Any other functions that may be assigned to it by the Prime Minister

Powers of the SMB

- **Rulings** on whether intended actions are prohibited;
- **Request information** that is relevant and useful for the purpose of pursuing its functions;
- **Cooperation** to ensure observance of sanctions;
- Malta police
- Malta Security Service
- FIAU
- Public and regulatory authorities
- Government ministries, departments, agencies and entities



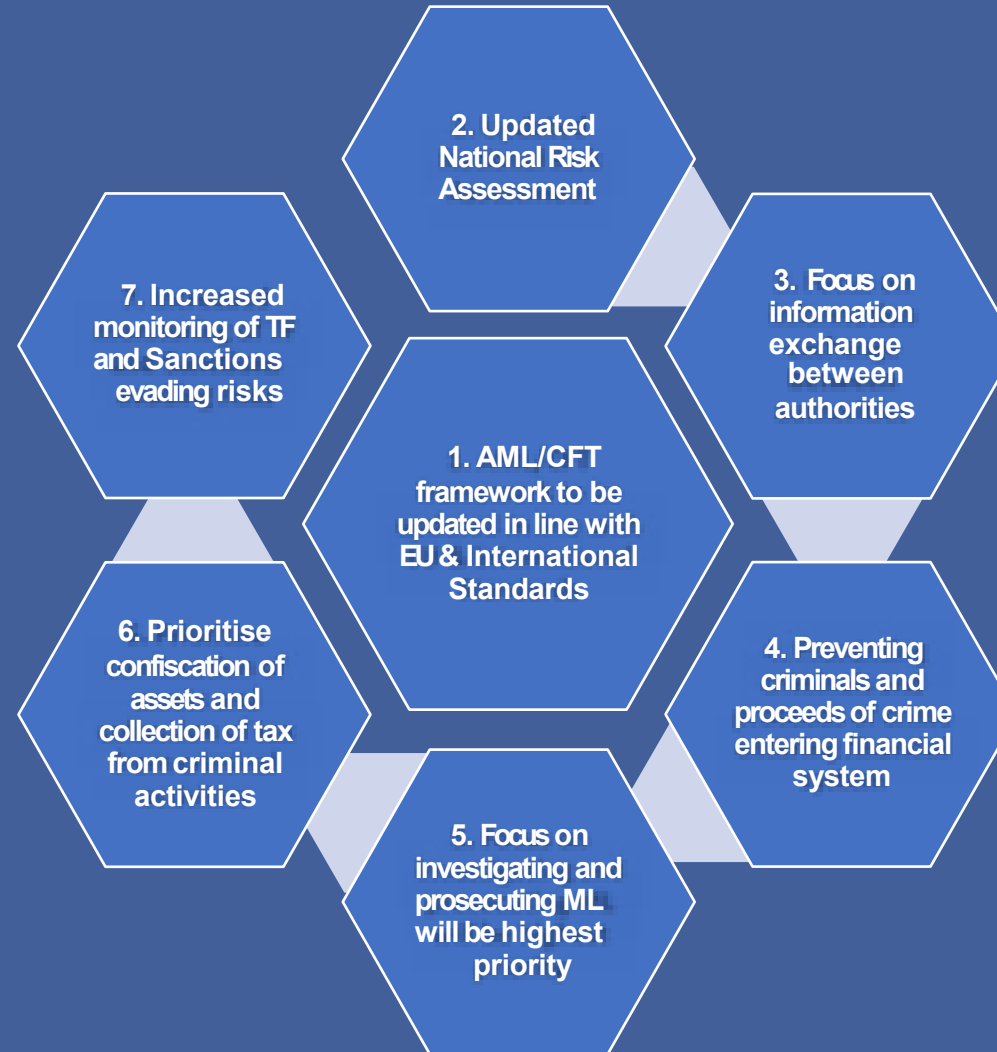
National Coordination Committee (“NCC”)

- The NCC was established on 13 April 2018 by virtue of the NCC on ML/FT Regulations. It is chaired by the Permanent Secretary of the ministry for Finance and is composed of policy makers (representatives from the Ministries for Finance, Home Affairs and Justice), Supervisors (FIAU, MFSA, MGA), the Malta Police, the Office of the Attorney General and various other competent authorities. The NCC is the body responsible for defining, overseeing and co-ordinating the implementation of the **national AML/CFT** strategy.
- The main objectives of the NCC are:
 - ❖ To 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; and
 - ❖ Effective ongoing cooperation and intelligence sharing among stakeholders.

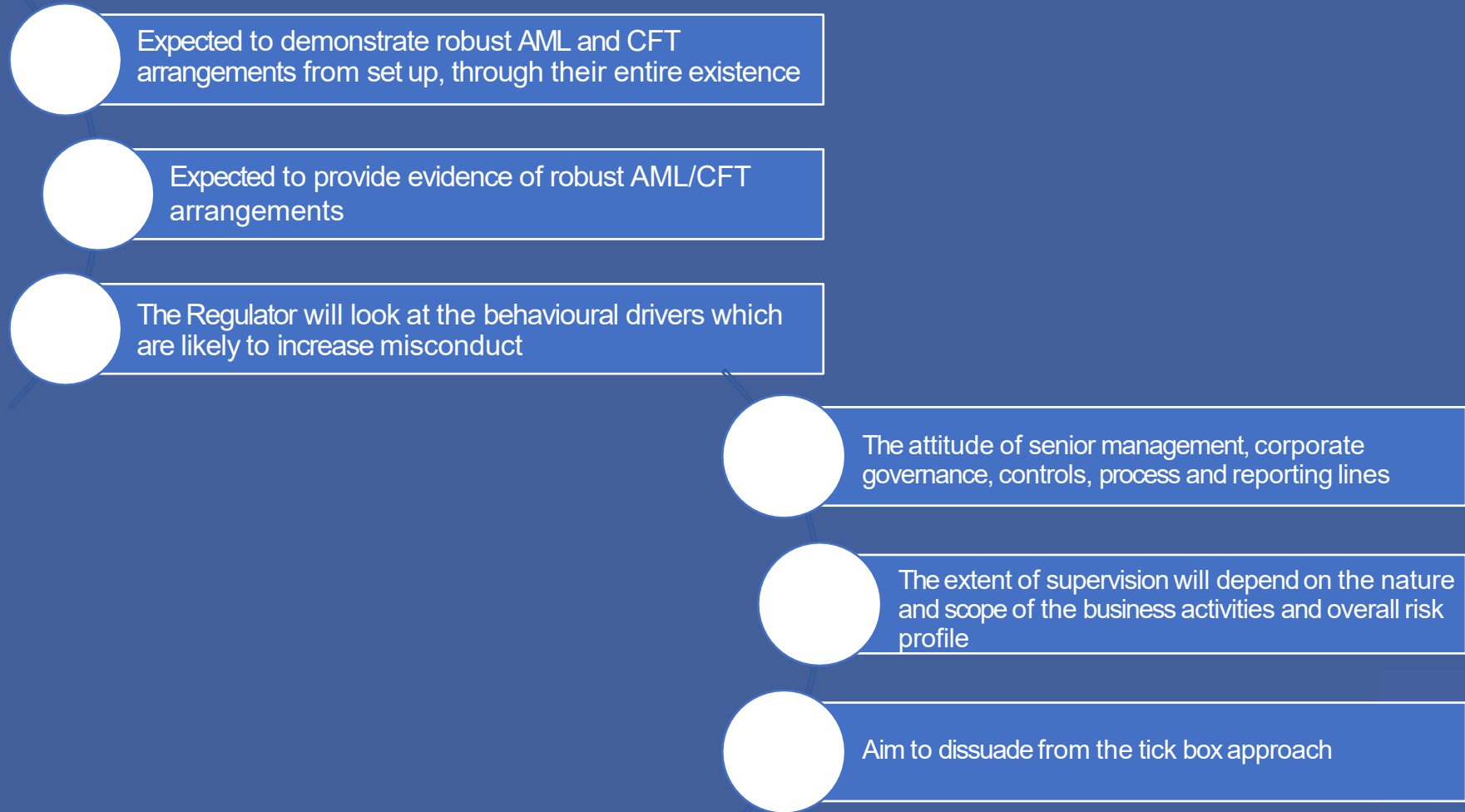




National AML/CFT Strategy & Action Plan for 2021-2023



Regulatory Expectation



The Purpose of AML/CFT Measures

- Determining the extent of ML/Ft risks that you may be prone to or exposed;
- Prevent and combat proceeds or crime/terrorism;
- Identify and verify the customer;
- Ongoing monitoring to ensure transactions and documentation are in line



Any questions?





Valeria Catalano

Modern Business Solutions

valeria.catalano@modern.mt

