



AML/CFT ACTION PLAN

FEBRUARY 2018

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 - Workblock VII: Build on the existing international cooperation setup

Executive summary

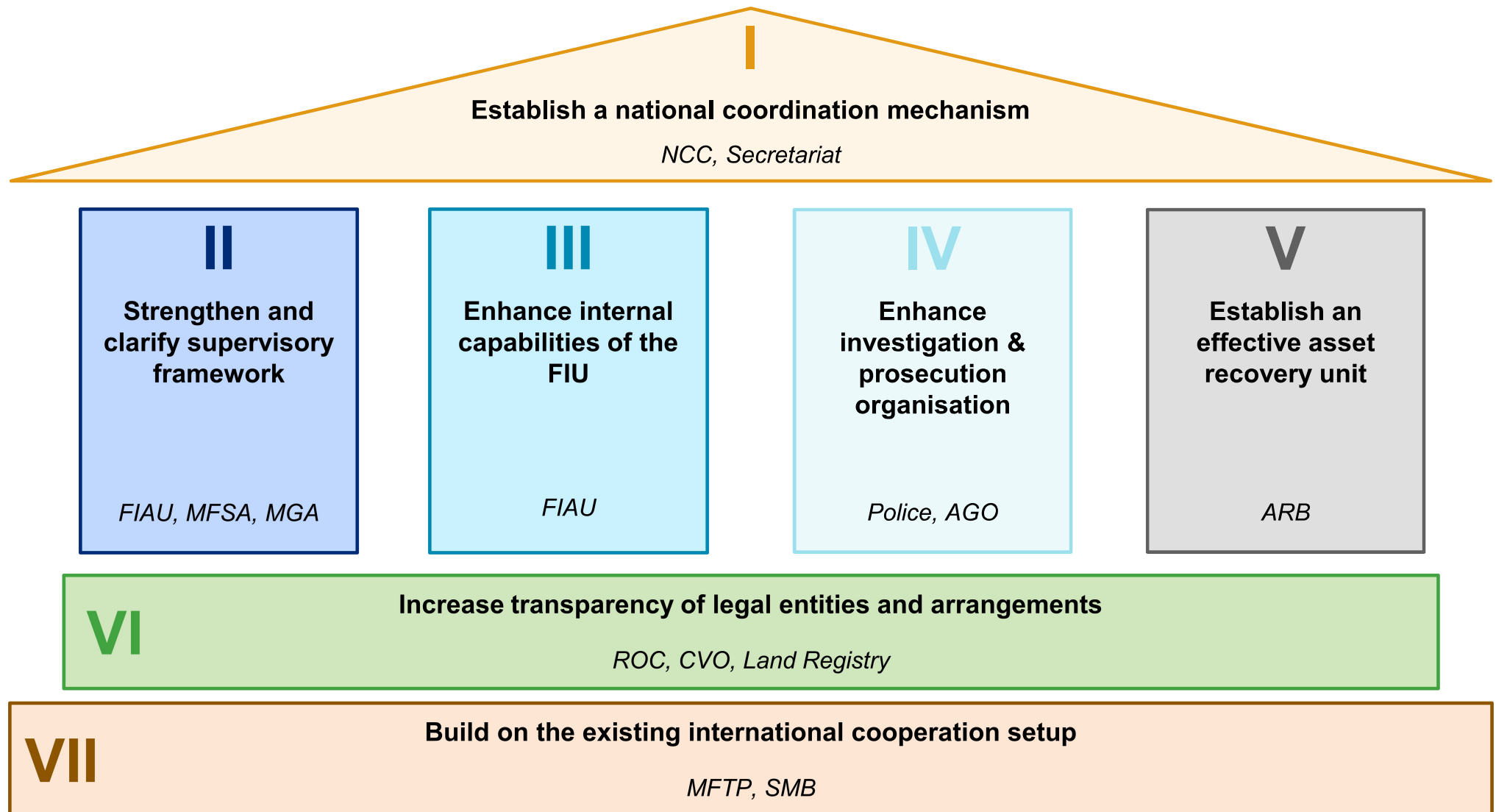
- The Maltese authorities have set out a **comprehensive list of strategic actions to enhance the national AML/CFT framework**
- Building on the insights from the NRA, **the Maltese authorities were able to identify a number of recurring gaps** that impeded the ability to effectively combat ML/TF
 - Lack of national coordination
 - Limited evidence of the effectiveness of supervision
 - Ineffective law enforcement and judiciary setup (investigation, prosecution and recovery)
 - Limited resources & skills
 - Deficiencies in access to relevant data and availability of IT tools
- Following the gap assessment, **strategic initiatives were defined across the following seven initiatives:**
 - I. Establish a national coordination mechanism** responsible for defining the overall AML/CFT strategy and overseeing its implementation
 - II. Strengthen and clarify the supervisory framework** by extending the breadth and depth of supervision and increasing resources
 - III. Enhance internal capabilities of the financial intelligence unit**, especially in terms of staff number and training, access to databases and use of analytical tools
 - IV. Enhance investigation and prosecution organisation** with increased resources, specialisation and tools, in order to improve the number of investigations and their translation into legal enforcement
 - V. Establish an effective asset recovery unit** with a well-equipped agency dedicated to tracing, confiscating and managing assets
 - VI. Increase transparency of legal entities and arrangements**, in particular with regards to their beneficial ownership
 - VII. Build on the existing international cooperation setup**, in particular to ensure the timely and effective enactment of targeted financial sanctions and to raise the role of Malta's supervisors in international fora
- Execution of these strategic initiatives is set out **over a time horizon of the upcoming 3 years (2018-2020)**. A **dedicated project management and governance structure** will be established to ensure sufficient traction, meaningful reporting, and effective escalation of issues and roadblocks.

Overview of key stakeholders

| Category | Agency | Acronym <i>(for this presentation)</i> |
|---|--|---|
| Policy-makers | Ministry for Finance | MFin |
| | Ministry for Justice, Culture and Local Government | MfJ |
| | Ministry for Foreign Affairs and Trade Promotion | MFTP |
| | National Coordinating Committee on Combating Money Laundering and Financing of Terrorism | NCC |
| | Secretariat | - |
| Supervisors & financial intelligence | Financial Intelligence Analysis Unit | FIAU |
| | Maltese Financial Services Authority | MFSA |
| | Malta Gaming Authority | MGA |
| | Central Bank of Malta | CBM |
| | Commissioner for Revenue | CfR |
| Law enforcement and Judiciary | Police Economic Crimes Unit | ECU |
| | Police Counter Terrorism Unit | CTU |
| | Office of the Attorney General | AGO |
| | Courts | - |
| | Asset Recovery Bureau | ARB |
| Registers | Registry of Companies | ROC |
| | Land Registry | - |
| | Office of the Commissioner for Voluntary Organisations | CVO |
| Sanctions authorities | Sanctions Monitoring Board | SMB |
| | Sanctions Unit | - |

Section 1 | Summary of action plan

Malta's AML/CFT strategy will rely on seven key components



Summary of strategic actions

Workblock I: Establish a national coordination mechanism

| Recommendation | Priority level | Owner |
|---|----------------|------------------------|
| 1 Establish a national coordination committee (NCC) | Critical | • MFin |
| 2 Establish a secretariat to support the NCC | Critical | • NCC |
| 3 Oversee and coordinate implementation of AML/CFT strategy • Secretariat to coordinate implementation and escalate issues • NCC to oversee progress made and troubleshoot obstacles encountered • NCC to publish annual report of progress against strategy | Critical | • NCC • Secretariat |
| 4 Prepare for and coordinate MONEYVAL evaluation | Critical | • Secretariat |
| 5 Create NCC sub-committees in charge of specific areas (e.g. legal framework, supervisors, operational) | Important | • NCC • Secretariat |
| 6 Coordinate and publish thematic risk assessments • National threat assessment (esp. organised crime, tax evasion) • Sectoral risk assessments (esp. gaming, TCSPs, real estate) • Legal entities and arrangements • Assets of Libyan citizens • Terrorism and terrorism financing | Important | • Secretariat |
| 7 Introduce coordination mechanism for proliferation finance | Less urgent | • NCC |
| 8 Set up a common database to collect AML/CFT statistics | Less urgent | • Secretariat |
| 9 Involve private sector by creating a public-private partnership | Less urgent | • Secretariat |
| 10 Update NRA and AML/CFT strategy in 2020 | Less urgent | • Secretariat |

Summary of strategic actions

Workblock II: Strengthen and clarify supervisory framework (1/2)

| Recommendation | Priority level | Owners |
|---|----------------|---|
| <p>1 Define AML/CFT supervisory framework and target operating model</p> <ul style="list-style-type: none">• Document current supervisory framework• Agree and define target setup and implementation plan• Draft/finalise MOUs between MFSA/MGA and FIAU | Critical | <ul style="list-style-type: none">• FIAU• MFSA• MGA |
| <p>2 Strengthen MFSA AML/CFT supervisory function</p> <ul style="list-style-type: none">• Split out AML/CFT unit from Enforcement, and include under Supervisory Council• Develop and implement entity-level risk-assessment tools• Strengthen AML/CFT supervisory capabilities | Critical | <ul style="list-style-type: none">• MFSA |
| <p>3 Strengthen MGA AML/CFT supervisory function</p> <ul style="list-style-type: none">• Formalise AML/CFT policies & procedures• Conduct 40-50 on-site inspections of higher risk entities• Develop and implement entity-level risk assessment tools• Draft and issue sectoral guidance (jointly with FIAU) | Critical | <ul style="list-style-type: none">• MGA |
| <p>4 Increase supervisory capacity and skills</p> <ul style="list-style-type: none">• Increase FIAU, MFSA and MGA staff• Train FIAU, MFSA and MGA staff | Critical | <ul style="list-style-type: none">• FIAU• MFSA• MGA |
| <p>5 Review the AML/CFT obligations applicable to DNFBPs</p> <ul style="list-style-type: none">• Require at least registration of all subject persons (e.g. real estate agents) and maintain complete and up-to-date register of subject persons• Implement AML/CFT training requirements to obtain and maintain licensing/registration• Ensure communication of AML/CFT obligations to all sectors (e.g. boats and aircraft) | Critical | <ul style="list-style-type: none">• FIAU |

Summary of strategic actions

Workblock II: Strengthen and clarify supervisory framework (2/2)

| Recommendation | Priority level | Owners |
|--|----------------|---------------------------|
| 6 Conduct targeted reviews with financial intermediaries on: <ul style="list-style-type: none">• Strategy to reduce the use of cash while ensuring financial inclusion• Assessment of the use and ML/TF risks of transferrable cheques | Important | • CBM • MFin |
| 7 Review and strengthen AML/CFT capabilities within government <ul style="list-style-type: none">• Review AML/CFT controls, esp. for payments (e.g. CfR, Courts, Identity Malta)• Ensure coordination with FIAU (e.g. as subject person or MOUs)• Implement ongoing checks | Important | • FIAU |
| 8 Revise penalties and improve enforceability of AML/CFT obligations and sanctions (administrative and criminal penalties) | Important | • FIAU |
| 9 Increase supervisory outreach to industry on AML/CFT obligations (e.g. sectoral guidance, conferences, training) | Important | • FIAU • MFSA • MGA |
| 10 Increase breadth of supervision through thematic reviews (e.g. CDD, risk assessment, transaction monitoring) | Less urgent | • FIAU • MFSA • MGA |
| 11 Conduct sector- and product-specific risk assessments and analyses (e.g. cryptocurrencies) | Less urgent | • FIAU • MFSA • MGA |

Summary of strategic actions

Workblock III: Enhance internal capabilities of the FIU

| Recommendation | Priority level | Owners |
|---|----------------|-----------------|
| 1 Increase FIAU staff capacity and skills (esp. hire and train staff) | Critical | • FIAU |
| 2 Provide the FIAU with direct access to relevant databases <ul style="list-style-type: none"> • Tax databases (esp. Business Object)¹ • Register of companies • Land registry • Public registry • Vehicle registration database (e.g. shipping, aircrafts) • Passenger name record database • Identity Malta database (incl. previously granted citizenship) | Critical | • FIAU |
| 3 Enhance IT capabilities for operational analysis <ul style="list-style-type: none"> • Automate STR collection and filtering (e.g. risk scoring) with a dedicated tool and develop common STR taxonomy to optimise ability to search • Enhance strategic and operational analysis with a specialised analytical tool • Improve workflow management and coordination with law enforcement | Critical | • FIAU |
| 4 Develop approach to and initiate strategic analyses (e.g. Libyan deposits at Maltese banks) | Important | • FIAU |
| 5 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) | Important | • FIAU |
| 6 Further improve feedback loop with private sector | Less urgent | • FIAU |
| 7 Increase coordination between FIAU and CfR (e.g. to compare income data with activity) | Less urgent | • FIAU • CfR |

1. Availability of income and tax data may require legislative amendments

Summary of strategic actions

Workblock IV: Enhance investigation and prosecution organisation

| Recommendation | Priority level | Owners |
|---|----------------|----------------------|
| <p>1 Review organisation and increase ECU capacity and skills</p> <ul style="list-style-type: none"> • Review organisation (e.g. MLU-specific unit) • Implement staff development strategy with increase and training of staff • Increase ECU budget for external experts • Improve management and effectiveness of tools (e.g. link i2 to other databases, hire “data operators” to manage database) | Critical | • Police |
| <p>2 Separate investigatory and prosecutorial functions</p> | Critical | • Police • AGO |
| <p>3 Improve effectiveness of investigation and prosecution</p> <ul style="list-style-type: none"> • Simplify legal process so that ML/TF cases systematically go to specialised magistrates/judges • Identify and train specialised magistrates/judges on financial and economic crime • Formalise and increase use of experts (e.g. forensic accountants) | Critical | • Police • Courts |
| <p>4 Improve efficiency of investigation and prosecution</p> <ul style="list-style-type: none"> • Allow for investigation orders to be delivered electronically • Identify opportunities to reduce legal timelines to conclude cases in more time-efficient manner | Important | • Police • AGO |
| <p>5 Define serious/major crime to help prioritise investigation and prosecution efforts</p> | Important | • AGO |
| <p>6 Improve collection of statistics on ML/TF crimes investigated, prosecuted and convicted</p> | Important | • Police • Courts |
| <p>7 Increase focus on investigating and prosecuting tax crimes</p> <ul style="list-style-type: none"> • FIAU and Police to focus on identifying professionals enabling tax crime • Police and CfR to agree on decision-making between criminal and civil route for tax offences • Police to increase number of investigations and criminal prosecutions for tax crimes | Important | • Police • CfR |
| <p>8 Review AML/CFT controls within Customs Department</p> <ul style="list-style-type: none"> • Provide AML/CFT training to Customs staff • Review effectiveness of cash declarations • Increase involvement of Customs in controls at sea terminals • Enhance exchange of information between Customs and FIAU (e.g. as subject person) | Less urgent | • Customs |

Summary of strategic actions

Workblock V: Establish an effective asset recovery unit

| Recommendation | Priority level | Owners |
|--|----------------|--------|
| <p>1</p> <p>Establish Asset Recovery Bureau (ARB)</p> <ul style="list-style-type: none">• Establish the ARB (pass law and create legal entity)• Define ARB organisational and operating model• Operationalise ARB (e.g. hire staff, implement tools)• Develop mechanisms for domestic coordination (e.g. FIAU, Police) and international cooperation (e.g. with foreign AROs) | Critical | • ARB |
| <p>2</p> <p>Enhance ARB (once established)</p> <ul style="list-style-type: none">• Assessment of effectiveness of ARB in its first year• Definition of improvement plan• Implementation of development plan | Important | • ARB |

Summary of strategic actions

Workblock VI: Enhance transparency of legal entities and arrangements

| Recommendation | Priority level | Owners |
|---|----------------|--|
| 1 Amend existing register of companies (ROC) to include BO information for legal entities <ul style="list-style-type: none">• Pass legislative amendments (<i>completed</i>)• Implement requirement for all new companies (<i>completed</i>)• Design backfilling process and plan transition period | Critical | <ul style="list-style-type: none">• ROC• MFSA |
| 2 Create a BO database of legal arrangements | Critical | <ul style="list-style-type: none">• ROC• MFSA |
| 3 Establish a process to ensure BO database is accurate and up to date <ul style="list-style-type: none">• Increase penalties for non-compliance• Design controls to ensure accuracy | Critical | <ul style="list-style-type: none">• ROC• MFSA |
| 4 Strengthen transparency and supervision of voluntary organisations <ul style="list-style-type: none">• Amend legislation (e.g. ensure operational independence, enhance powers)• Enhance capacity of Commissioner of Voluntary Organisations• Enhance database on voluntary organisations to be comprehensive and include complete data• Raise awareness of voluntary organisations on AML/CFT (e.g. training & guidance) | Important | <ul style="list-style-type: none">• CVO |
| 5 Enhance effectiveness and functionality of Land Registry <ul style="list-style-type: none">• Expand registry's scope, content and analytical capabilities• Review and update ownership data | Important | <ul style="list-style-type: none">• Land Registry |

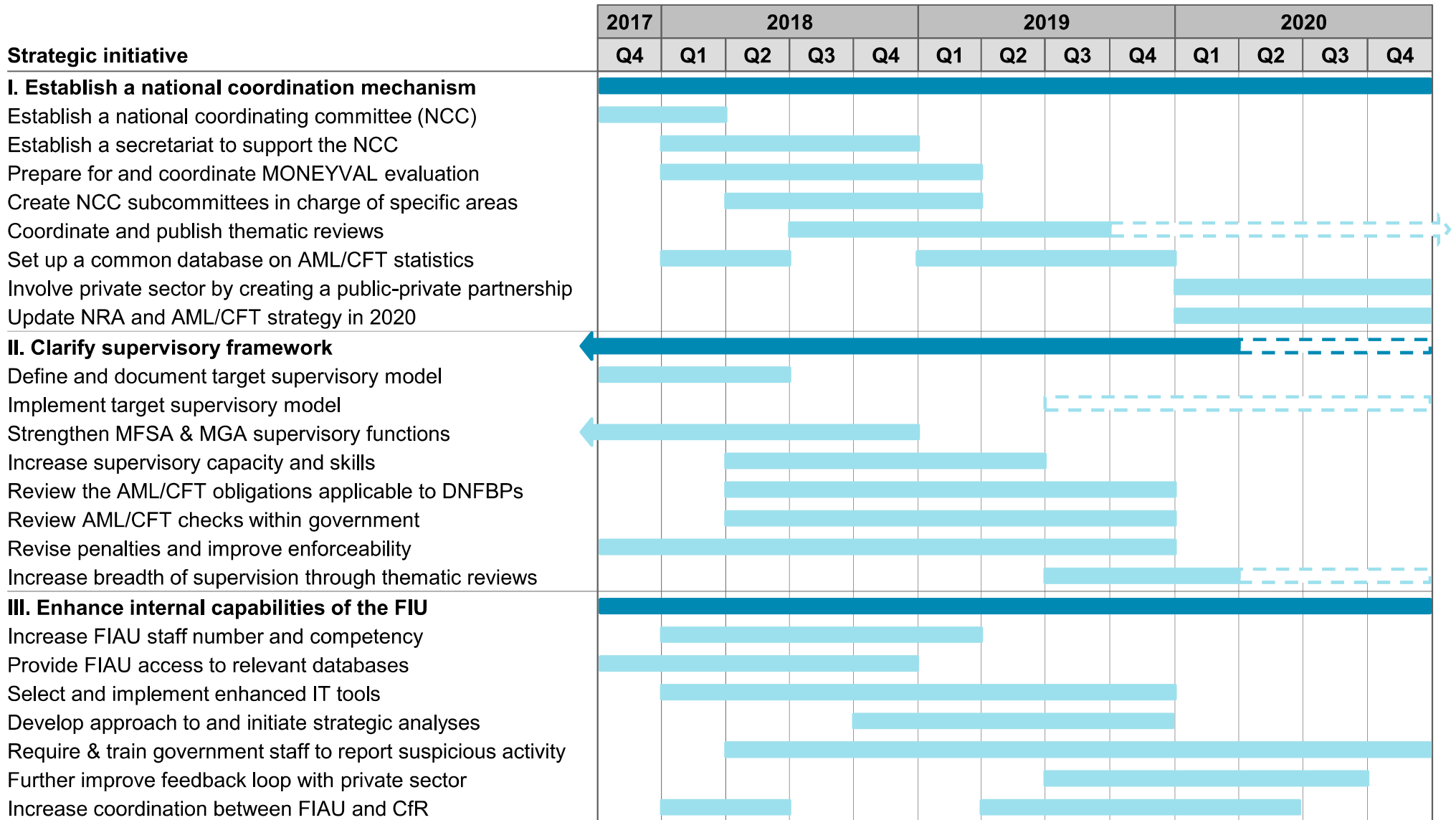
Summary of strategic actions

Workblock VII: Build on existing international cooperation setup

| Recommendation | Priority level | Owners |
|--|----------------|---|
| <p>1 Review and simplify process for targeted financial sanctions</p> <ul style="list-style-type: none"> • Pass law enabling automatic update of sanctions list (<i>ongoing</i>) • Define and document procedures to manage listing and un-listing of national list of designated persons • Enhance cooperation with FIAU • Enhance coordination with MFSA and MGA • Continue to improve collection of statistics on the effectiveness of the sanctions monitoring process (<i>ongoing</i>) | Critical | <ul style="list-style-type: none"> • Sanctions Unit |
| <p>2 Develop and implement an international coordination framework for each supervisor (e.g. coordination with foreign supervisors regarding inspections, group supervision)</p> | Important | <ul style="list-style-type: none"> • MGA • MFSA • FIAU |
| <p>3 Strengthen and formalise procedures and coordination with regards to sending and responding to MLAs</p> <ul style="list-style-type: none"> • Formalise coordination on MLA procedures • Introduce standard MLA review procedure, to determine whether a crime was committed in Malta [TBC] | Important | <ul style="list-style-type: none"> • Police |
| <p>4 Take a leading role in international fora, especially in areas of local expertise (e.g. gaming, citizenship programme)</p> | Less urgent | <ul style="list-style-type: none"> • Secretariat |

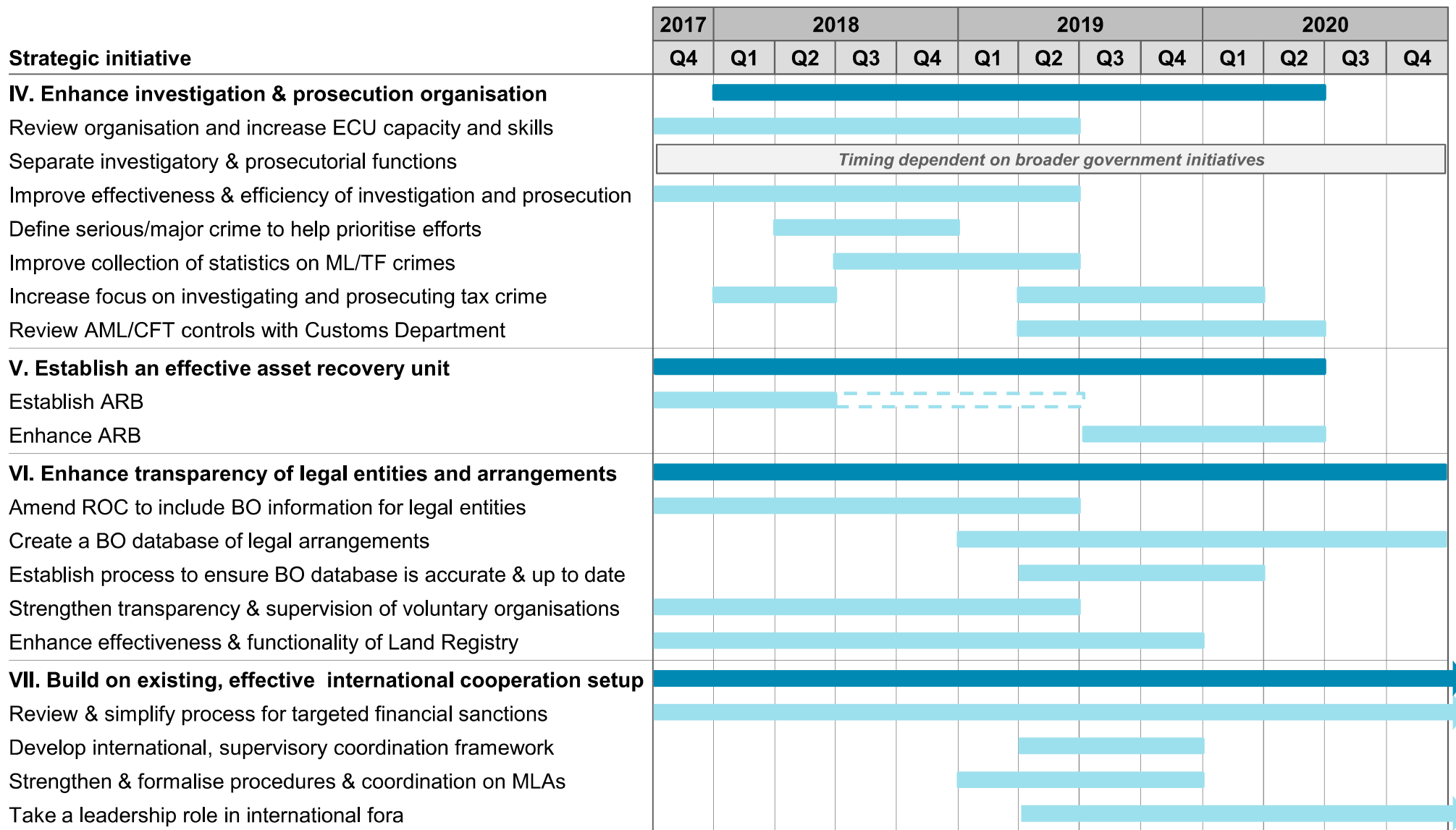
Overall timeline

High-level action plan (1/2) – initiatives I - III



Overall timeline

High-level action plan (2/2) – initiatives IV - VII



Section 2 | Project management and governance

Successful implementation of the AML/CFT strategy requires a robust project management and governance structure

Project management and governance design principles

| Design principles | Description |
|--------------------------------------|---|
| 1 Dedicated PMO | A dedicated PMO, to be run by the secretariat, is a key component in the implementation of the AML/CFT strategy |
| 2 Clear governance | <ul style="list-style-type: none">• A structure of recurring meetings will allow stakeholders to report on updates and align on objectives• A clear escalation mechanism will ensure timely remediation of issues and removes any blocks to progress |
| 3 Engaged stakeholders | Involvement and commitment from a wide range of key stakeholders is required to ensure successful implementation of the AML/CFT strategy |

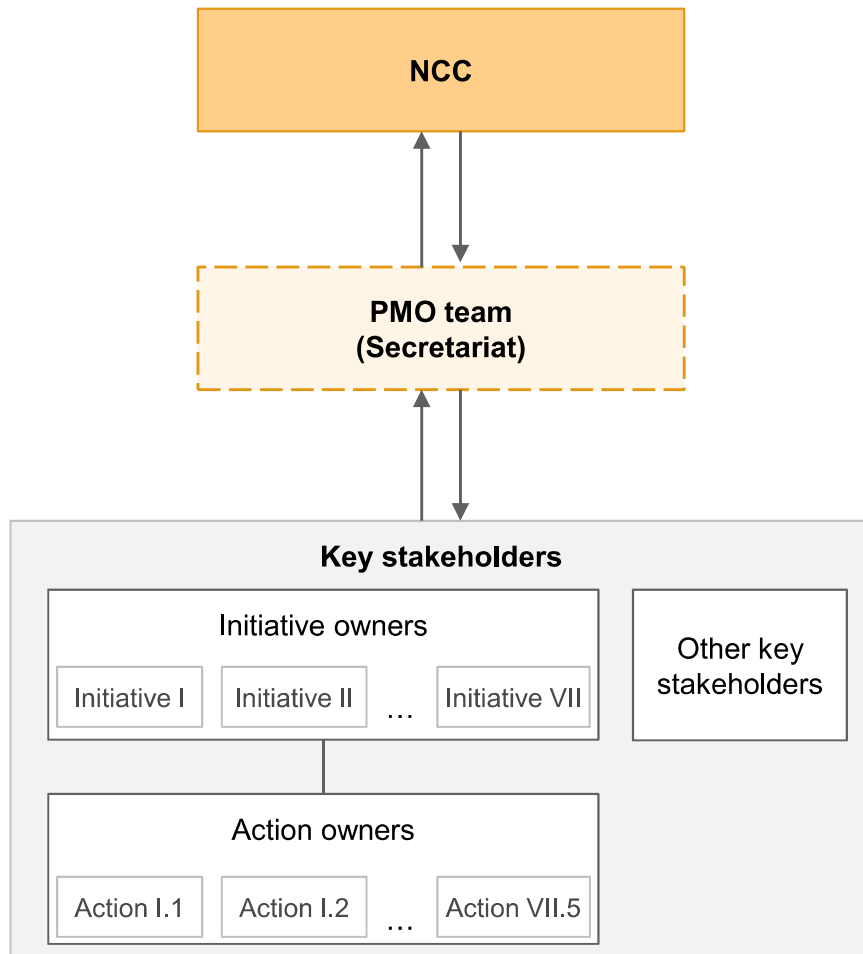
1 Dedicated PMO

A dedicated PMO, to be run by the secretariat, is a key component in the implementation of the AML/CFT strategy

The PMO team is central to implementation of the AML/CFT strategy

Details

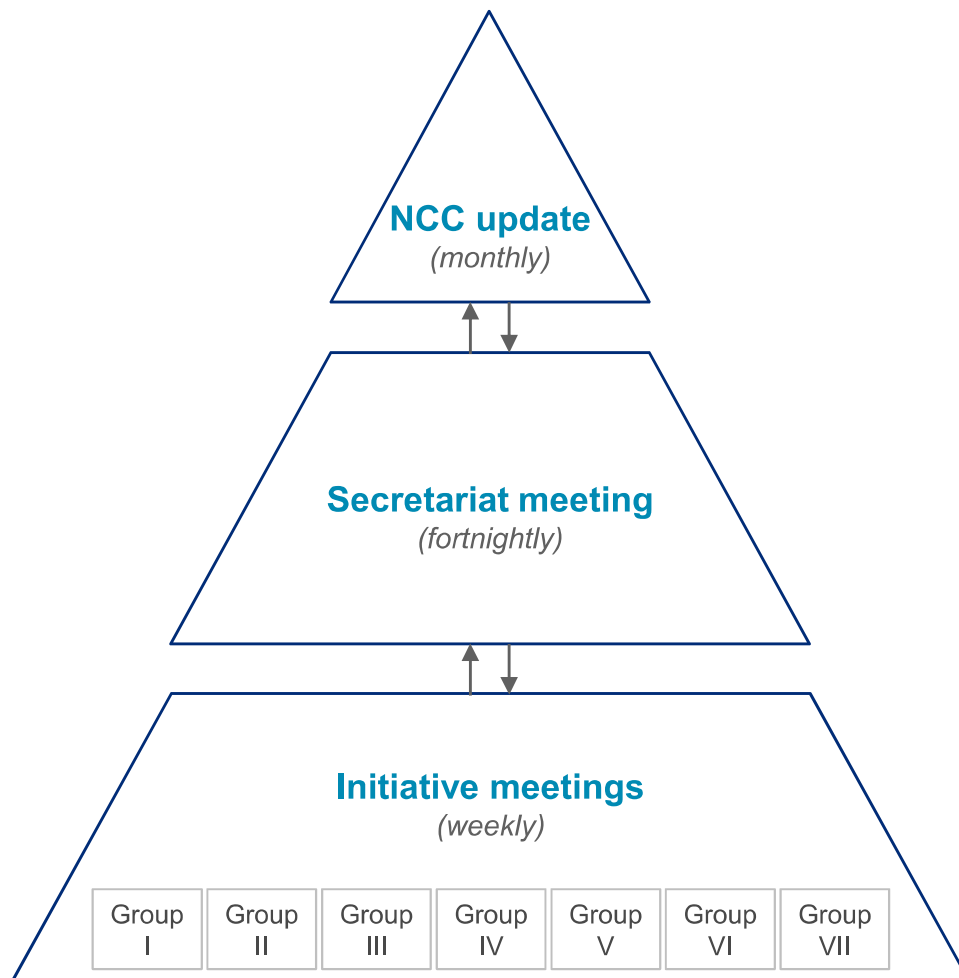
- To support the implementation of the AML/CFT strategy, a Project Management Office (PMO) will be set up for the duration of the implementation phase
- The secretariat will act as dedicated PMO
- Its responsibilities include
 - Coordinate implementation
 - Track progress
 - Ensure efficient cooperation among key stakeholders
 - Regularly report on progress to NCC
 - Ensure effective escalation of issues (see next page)



2 Clear governance (1/2)

A structure of recurring meetings will allow stakeholders to report on updates and align on objectives

Project governance meeting structure



Details

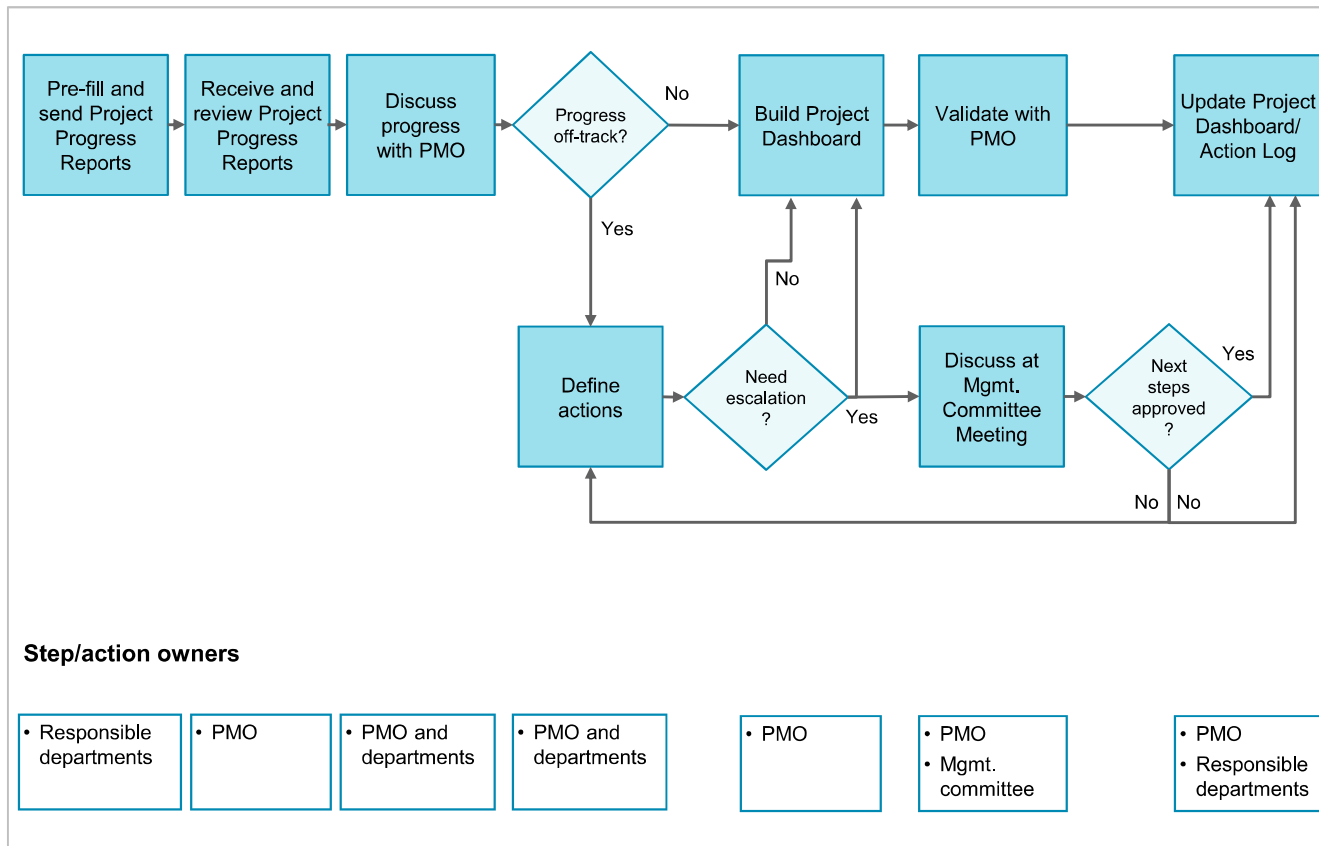
| Objectives | Chair | Participants |
|---|----------------------------|---|
| <ul style="list-style-type: none"> Provide (brief) program status update Address any escalated points Sign off program results | NCC chairperson | <ul style="list-style-type: none"> NCC Secretariat |
| <ul style="list-style-type: none"> Oversee progress Unblock conflicts Ensure cross-project and cross-initiative alignment Address escalated points Identify points for escalation to NCC | Secretariat chairperson | <ul style="list-style-type: none"> Secretariat Relevant initiative owners |
| <ul style="list-style-type: none"> Keep track on progress across each initiative Unblock any conflicts between the projects within initiatives Identify points for escalation to secretariat | Secretariat representative | <ul style="list-style-type: none"> Secretariat Initiative owners Relevant initiative stakeholders/ action owners |

2 Clear governance (2/2)

A clear escalation mechanism will ensure timely remediation of issues and removes any blocks to progress

Escalation process

Illustrative



An effective escalation process should meet the following criteria

- ✓ Enables prompt conflict resolution
- ✓ Contains incentives to ensure all involved stakeholders realise high importance and priority of the project
- ✓ Is conducted via the meeting structure
- ✓ Contains an emergency escalation process to avoid delays in problem resolutions due to meeting scheduling issues
- ✓ Is driven by a dedicated PMO, which
 - Possesses the mandate to escalate to Senior Management
 - Creates a forum for escalation discussions (e.g. via update meetings)

3 Engaged stakeholders

Involvement and commitment from a wide range of key stakeholders is required to ensure successful implementation of the AML/CFT strategy

| Initiatives | Initiative owners | Action owners | Other key stakeholders |
|--|---|--|--|
| I Establish a national coordination mechanism | <ul style="list-style-type: none"> • NCC • Secretariat | <ul style="list-style-type: none"> • NCC • Secretariat • MFin | <ul style="list-style-type: none"> • AML/CFT subject persons <ul style="list-style-type: none"> – Credit institutions – Other financial institutions – DNFBPs – Gaming entities – Other AML/CFT subject persons |
| II Strengthen and clarify supervisory framework | <ul style="list-style-type: none"> • FIAU • MFSA • MGA | <ul style="list-style-type: none"> • FIAU • MFSA • MGA • CBM • MFin | <ul style="list-style-type: none"> • Relevant subject person industry associations |
| III Enhance internal capabilities of the FIU | <ul style="list-style-type: none"> • FIAU | <ul style="list-style-type: none"> • FIAU • CfR | <ul style="list-style-type: none"> • Relevant government agencies |
| IV Enhance investigation and prosecution organisation | <ul style="list-style-type: none"> • Police • AGO | <ul style="list-style-type: none"> • Police ECU • Courts • CfR • Customs | <ul style="list-style-type: none"> • Legal entities • Legal arrangements |
| V Establish an effective asset recovery unit | <ul style="list-style-type: none"> • ARB | <ul style="list-style-type: none"> • ARB | <ul style="list-style-type: none"> • Police CTU • Ministry for Justice |
| VI Increase transparency of legal entities and arrangements | <ul style="list-style-type: none"> • ROC • CVO • Land Registry | <ul style="list-style-type: none"> • ROC • CVO • Land Registry | <ul style="list-style-type: none"> • Ministry for Home Affairs • Ministry for Education & Employment |
| VII Build on the existing international cooperation setup | <ul style="list-style-type: none"> • MFTP • SMB | <ul style="list-style-type: none"> • Sanctions Unit • Police • FIAU/MFSA/MGA | <ul style="list-style-type: none"> • Public Registry |

Section 3 | Detailed action plan

Workblock I

Set up a national coordination
mechanism

Workblock I: Establish a national coordination mechanism

Summary

| Recommendation | Priority level | Owner |
|--|----------------|------------------------|
| 1 Establish a national coordination committee (NCC) | Critical | • MFin |
| 2 Establish a secretariat to support the NCC | Critical | • NCC |
| 3 <ul style="list-style-type: none"> Oversee and coordinate implementation of AML/CFT strategy • Secretariat to coordinate implementation and escalate issues • NCC to oversee progress made and troubleshoot obstacles encountered • NCC to publish annual report of progress against strategy | Critical | • NCC • Secretariat |
| 4 Prepare for and coordinate MONEYVAL evaluation | Critical | • Secretariat |
| 5 Create NCC sub-committees in charge of specific areas (e.g. legal framework, supervisors, operational) | Important | • NCC • Secretariat |
| 6 <ul style="list-style-type: none"> Coordinate and publish thematic risk assessments • National threat assessment (esp. organised crime, tax evasion) • Sectoral risk assessments (esp. gaming, TCSPs, real estate) • Legal entities and arrangements • Assets of Libyan citizens • Terrorism and terrorism financing | Important | • Secretariat |
| 7 Introduce coordination mechanism for proliferation finance | Less urgent | • NCC |
| 8 Set up a common database to collect AML/CFT statistics | Less urgent | • Secretariat |
| 9 Involve private sector by creating a public-private partnership | Less urgent | • Secretariat |
| 10 Update NRA and AML/CFT strategy in 2020 | Less urgent | • Secretariat |

Workblock I: Establish a national coordination mechanism

Preliminary workplan (1/2)

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|--|------|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Establish a national coordination mechanism | | | | | | | | | | | | | |
| I.1 Establish a national coordination committee | | | | | | | | | | | | | |
| Amend legal framework to enable establishment | | | | | | | | | | | | | |
| Design governance and organisation | | | | | | | | | | | | | |
| Implement committee | | | | | | | | | | | | | |
| I.2 Establish a secretariat to support the NCC | | | | | | | | | | | | | |
| Decide on secretariat role and setup | | | | | | | | | | | | | |
| Agree on priorities and prepare workplan | | | | | | | | | | | | | |
| Operationalise the secretariat | | | | | | | | | | | | | |
| I.3 Oversee & coordinate implementation of AML/CFT strategy | | | | | | | | | | | | | |
| Create a standard reporting process & format | | | | | | | | | | | | | |
| Coordinate implementation & liaise with key stakeholders | | | | | | | | | | | | | |
| I.4 Prepare for and coordinate MONEYVAL evaluation | | | | | | | | | | | | | |
| Appoint staff | | | | | | | | | | | | | |
| Draft Moneyval submissions on tech. compliance | | | | | | | | | | | | | |
| Prepare logistics for onsite and plenary | | | | | | | | | | | | | |
| I.5 Create NCC sub-committees in charge of specific areas | | | | | | | | | | | | | |
| Agree on list of sub-committees and mandates | | | | | | | | | | | | | |
| Agree on setup and composition | | | | | | | | | | | | | |
| Establish and operationalise sub-committees | | | | | | | | | | | | | |
| I.6 Coordinate & publish thematic reviews | | | | | | | | | | | | | |
| Agree on list of sectors/areas to be reviewed | | | | | | | | | | | | | |
| Assign owners & timelines for reviews | | | | | | | | | | | | | |
| Draft & publish highest priority reviews | | | | | | | | | | | | | |
| Draft & publish remaining thematic reviews | | | | | | | | | | | | | |

Workblock I: Establish a national coordination mechanism

Preliminary workplan (2/2)

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|--|------|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Establish a national coordination mechanism | | | | | | | | | | | | | |
| I.7 Introduce coordination mechanism for proliferation finance | | | | | | | | | | | | | |
| Design composition, governance, op. model & mandate | | | | | | | | | | | | | |
| Set up committee | | | | | | | | | | | | | |
| I.8 Set up a common database on AML/CFT statistics | | | | | | | | | | | | | |
| Prelim. step: Collect relevant statistics for MONEYVAL evaluation | | | | | | | | | | | | | |
| Agree on additional list of data to be gathered | | | | | | | | | | | | | |
| Establish mechanism to collect & update data | | | | | | | | | | | | | |
| Collect data | | | | | | | | | | | | | |
| I.9 Involve private sector by creating a public-private partnership | | | | | | | | | | | | | |
| Agree on role and mandate of partnership | | | | | | | | | | | | | |
| Agree on governance and operating model | | | | | | | | | | | | | |
| Establish and operationalise partnership | | | | | | | | | | | | | |
| I.10 Update NRA and AML/CFT strategy in 2020 | | | | | | | | | | | | | |
| Update NRA | | | | | | | | | | | | | |
| Update AML/CFT strategy | | | | | | | | | | | | | |

I.1 Establish a national coordination mechanism

Establish a national coordination committee

Deliverables

Priority Level: **Critical**

- Establishment of an overarching committee to form national policy and strategy in the area of AML/CFT

Key actions

- Amend legal framework to enable the establishment of the committee
 - Agree on committee role, setup and suggested members (*completed*)
 - Draft amendment to Prevention of Anti-Money Laundering bill (*completed*)
 - Pass amendment to bill in parliament (*completed*)
- Design governance and organisation of the committee
 - Agree on governance (e.g. exact members)
 - Agree on operating model (e.g. frequency, recurring agenda)
 - Draft Terms of Reference
- Implement committee
 - Schedule meetings
 - Prepare agendas for initial meetings

Implementation timeline

- By year-end 2017: Pass bill in parliament
- End-Feb 2018: Agree on governance and operating model
- End-Q1 2018: Finalise composition and hold first meeting

Owners and key stakeholders

- **Owner:** MFin
- **Key stakeholders:** NCC members

Dependencies

- None

Deficiencies addressed

- Absence of a high-level policy making body

Link to FATF

- Recommendations 1, 2
- IO 1

I.2 Establish a national coordination mechanism

Establish a secretariat to support the coordinating body

| | | |
|---|--|---------------------------------|
| Deliverables | | Priority Level: Critical |
| <ul style="list-style-type: none"> Establishment of a secretariat to support NCC with: <ul style="list-style-type: none"> Adequate staffing (in terms of both number and skills) Power/authority (to push other agencies to deliver what they are committed to do) | | |
| Key actions | Implementation timeline | |
| <ul style="list-style-type: none"> Decide on secretariat role and set-up <ul style="list-style-type: none"> Reporting line (e.g. in MFin, FIAU, MFSA) Role of secretariat (e.g. administrative, operational, strategic) Organisation of secretariat Required number of staff Operationalise the secretariat <ul style="list-style-type: none"> Identify lead Legal documentation [TBD] Budget [TBD] Hire staff Prepare work <ul style="list-style-type: none"> Agree on priorities Prepare workplan | <ul style="list-style-type: none"> Q1 2018: Agree on setup and role Q2-Q4 2018: Establish and operationalise | |
| Owners and stakeholders | Dependencies | |
| <ul style="list-style-type: none"> Owner: NCC Key stakeholders: MFin, FIAU, MFSA | <ul style="list-style-type: none"> Recommendation I.1 | |
| Deficiencies addressed | Link to FATF | |
| <ul style="list-style-type: none"> Absence of a high-level policy making body | <ul style="list-style-type: none"> Recommendations 1, 2, 33 IO 1 | |

1.2 Establish a secretariat to support the coordinating body (1/2)


The secretariat could be located under the FIU, a ministry or a supervisor

| | Option 1 Under FIU | Option 2 Under ministry(ies) | Option 3 Under supervisor |
|----------------------|---|---|--|
| Description | <ul style="list-style-type: none"> Responsibility of the FIU to coordinate AML/CFT operations and policy execution across various stakeholders | <ul style="list-style-type: none"> Secretariat sits under relevant government ministries (e.g. Finance and Home ministries) Frequently observed structure | <ul style="list-style-type: none"> Secretariat sits within the supervisor (typically financial sector supervisor) Requires a high level of independence (e.g. budget allocated by gvmt. directly) |
| Examples | <ul style="list-style-type: none"> Australia (AUSTRAC) Spain (SEPBLAC) | <ul style="list-style-type: none"> Belgium (Ministry of Justice) Canada (Department of Finance) Isle of Man (Cabinet Office) Italy (Ministry of Economy and Finance) Switzerland (Federal Department of Finance) UK (HM Treasury and Home Office) | <ul style="list-style-type: none"> Sweden (Financial Supervisory Authority) |
| Pros and cons | <ul style="list-style-type: none"> + Expediency: it is an effective solution that can be quickly implemented + Strong technical knowledge of ML/TF + Access to ML/TF data - May be too focused on investigations vs. strategy • Depends on FIU model; particularly suitable when FIU is in charge of supervision of some sectors | <ul style="list-style-type: none"> + Aligned with government strategy + Stronger authority and visibility + Easier budget management + Proximity to decision-making - May not necessarily have the technical knowledge or be close to the day-to-day AML/CFT work by supervisors/FIU | <ul style="list-style-type: none"> + Expediency: it is an effective solution that can be quickly implemented + Technical knowledge of supervisor - Risk of being highly focused on sector supervised - Challenges from being a small team within a much larger authority (e.g. limited authority over agencies, budget management) - Absence of legal framework that currently permits exchange of data |

1.2 Establish a secretariat to support the coordinating body (2/2)

The role of the secretariat could range from administrative to strategic

Spectrum of roles assumed by the secretariat



| | Administrative | Operational | Strategic |
|-------------------------------------|---|---|--|
| Description | <i>Team supporting NCC with administrative coordination</i> | <i>Team supporting NCC as dedicated project management unit</i> | <i>Team supporting NCC with strategic coordination and implementation</i> |
| Roles & responsibilities | <ul style="list-style-type: none"> Scheduling of meetings, taking minutes and owning the agenda Tracking of progress of implementation initiatives across agencies Reporting on AML/CFT progress | Same as “administrative” model, plus: <ul style="list-style-type: none"> NRA coordination support PMO activities, e.g. Quality Assurance on NRA outputs | Same as “operational” model, plus: <ul style="list-style-type: none"> Overall ownership and drafting of NRA Analysis of key strategic initiatives |
| Admin | ✓ | ✓ | ✓ |
| PMO | | ✓ | ✓ |
| NRA coord. | | ✓ | ✓ |
| NRA drafting | | | ✓ |
| Strat. analysis | | | ✓ |
| Requirements | <ul style="list-style-type: none"> 1-2 FTE Limited staff capabilities, focussed on administrative tasks | <ul style="list-style-type: none"> 3-5 FTE Adequate staff expertise on operational & PMO tasks | <ul style="list-style-type: none"> 5-10 FTE Extensive staff expertise on project management and AML/CFT topics |
| Pros & cons | <ul style="list-style-type: none"> + Easy to set up & staff - Limited support to NCC - No entity has full visibility and strategic perspectives on situation | <ul style="list-style-type: none"> + Increased support to NCC + “Middle ground” between cost-effective and most impactful model - Higher cost and more difficult to set up than “administrative” model | <ul style="list-style-type: none"> + Extensive support & accountability to NCC on strategic initiatives + Centralised and coordinated ownership of NRA initiatives - Harder to set up and staff |

I.3 Establish a national coordination mechanism Oversee and coordinate implementation of AML/CFT strategy

| | | |
|--|--|--|
| Deliverables | | Priority Level: Critical |
| <ul style="list-style-type: none"> • Coordinate implementation and establish issue escalation mechanism • Oversee progress made and troubleshoot obstacles encountered • Publish annual report on progress against implementation plan | | |
| Key actions | | Implementation timeline |
| <ul style="list-style-type: none"> • Set up governance structure <ul style="list-style-type: none"> – Appoint project management team – Establish quality assurance procedures – Set up risk management framework (e.g. escalation mechanisms) • Distribute responsibilities, e.g. <ul style="list-style-type: none"> – Secretariat to coordinate implementation & escalate issues – NCC to oversee progress & troubleshoot obstacles • Establish progress tracking and regular reporting mechanisms <ul style="list-style-type: none"> – Create reporting templates – Agree on stakeholders to receive regular updates | | <ul style="list-style-type: none"> • Q1 2018: Set up governance structure, distribute responsibilities and establish tracking & reporting mechanisms • Ongoing thereafter: Oversee and coordinate implementation |
| Owners and key stakeholders | | Dependencies |
| <ul style="list-style-type: none"> • Owner: NCC, Secretariat • Key stakeholders: FIAU, MFSA, MFin | | <ul style="list-style-type: none"> • Recommendation I.1 • Recommendation I.2 |
| Deficiencies addressed | | Link to FATF |
| <ul style="list-style-type: none"> • N/A | | <ul style="list-style-type: none"> • N/A |

I.4 Establish a national coordination mechanism Prepare for and coordinate MONEYVAL evaluation

Deliverables

Priority Level: **Critical**

- Draft technical compliance and effectiveness submissions
- Prepare for onsite and plenary discussion

Key actions

- Set up task force to prepare & coordinate MONEYVAL evaluation
- Coordinate drafting of technical compliance and effectiveness submissions
 - Set up regular governance (e.g. weekly meetings, progress updates)
 - Allocate responsibilities across initiatives and sectors
 - Set out plan to finalisation and establish mechanism for review & sign-off
- Hold sessions with subject persons to highlight their roles and requirements
 - Prepare communication document
 - Schedule conferences
 - Conduct meetings
 - Follow up from meetings
- Plan and carry out preparations for the onsite and plenary
 - Finalise meeting list
 - Set out meeting schedule (e.g. locations, timings)
 - Hold follow-up meetings & debriefs

Implementation timeline

- Q1 2018: Set up task force
- Q1-Q3 2018: Coordinate technical compliance and effectiveness submissions (self-assessments)
- Q2 2018: Hold sessions with subject persons
- Q2-Q3 2018: Plan and carry out preparations for onsite
- Q3 2018: Finalise and submit self-assessments
- Q4 2018-Q1 2019: Plan and carry out preparations for plenary

Owners and key stakeholders

- **Owner:** Secretariat
- **Key stakeholders:** NCC, FIAU, MFSA

Dependencies

- Recommendation I.1
- Recommendation I.2

Deficiencies addressed

- N/A

Link to FATF

- N/A

1.5 Establish a national coordination mechanism

Create NCC sub-committees in charge of specific areas

Deliverables

Priority Level: **Important**

- Agree on and establish structure of relevant sub-committees within NCC

Key actions

- Assess specific areas requiring establishment of designated sub-committee (e.g. legal, supervisory, operational)
- Agree on sub-committee responsibilities
- Design governance and organisation of the sub-committees
 - Agree on governance (e.g. exact members)
 - Agree on operating model (e.g. frequency, recurring agenda)
 - Draft Terms of Reference
- Implement sub-committees
 - Schedule meetings
 - Prepare agendas for initial meetings

Implementation timeline

- Q2 2018: Agree on list of sub-committees and define responsibilities
- Q3 2018: Design governance and organisation of sub-committees
- Q4 2018-Q1 2019: Finalise composition, operationalise and hold first meeting

Owners and key stakeholders

- **Owner:** NCC, Secretariat
- **Key stakeholders:** FIAU, MFSA, MFin

Dependencies

- Recommendation I.1
- Recommendation I.2

Deficiencies addressed

- N/A

Link to FATF

- N/A

I.6 Establish a national coordination mechanism Coordinate and publish thematic risk assessments

Deliverables

Priority Level: **Important**

- National threat assessment (esp. organised crime, tax evasion)
- Sectoral risk assessments (esp. gaming, TCSPs, real estate)
- Review of legal entities and arrangements
- Review of assets held by Libyan citizens in Malta
- Review of terrorism and terrorism financing

Key actions

- Agree on list of reviews to be conducted, and set out plan for each review
- Allocate ownership/responsibilities across Secretariat staff
- For each review:
 - Engage with relevant subject persons and subject matter experts
 - Collect relevant data
 - Draft report and socialise with key stakeholders for feedback
 - Finalise and publish report

Implementation timeline

- Q3-Q4 2018: Agree on list of reviews
- Q1 2019: Assign owners and timelines for reviews
- Q2-Q3 2019: Draft highest priority reviews
- Q4 2019 onwards: Draft & publish remaining reviews

Owners and key stakeholders

- **Owner:** Secretariat
- **Key stakeholders:** NCC, FIAU, MFSA

Dependencies

- Recommendation I.1
- Recommendation I.2

Deficiencies addressed

- There is currently a limited understanding of risks in a number of sectors and activities

Link to FATF

- Recommendation 34
- IO1

I.7 Establish a national coordination mechanism

Introduce coordination mechanism for proliferation finance

Deliverables

Priority Level: **Less urgent**

- Set up a permanent body or committee cooperate and coordinate the development of policies and activities with a view to combating the financing of the proliferation of weapons of mass destruction

Key actions

- Amend legal framework to enable the establishment of the committee (if required)
 - Agree on committee role, setup and suggested members
 - Pass law in parliament
- Design governance and organisation of the committee
 - Agree on governance (e.g. exact members)
 - Agree on operating model (e.g. frequency, recurring agenda)
 - Draft Terms of Reference
- Implement committee
 - Schedule meetings
 - Prepare agendas for initial meetings

Implementation timeline

- Q3 2019: Amend legal framework (if required)
- Q3-Q4 2019: Design governance and organisation of the committee
- Q1-Q2 2020: Finalise composition and hold first meeting

Owners and key stakeholders

- **Owner:** NCC
- **Key stakeholders:** FIAU, MFSA

Dependencies

- Recommendation I.1

Deficiencies addressed

- Limited coordination and enforcement on proliferation finance

Link to FATF

- Recommendation 7
- IO 1, 11

1.8 Establish a national coordination mechanism Set up common database to collect AML/CFT statistics

Deliverables

Priority Level: **Less urgent**

- Preliminary step: Collect relevant statistics for MONEYVAL evaluation
- Set up a database on AML/CFT statistics
- Ensure the database is regularly updated
- Grant access rights to relevant competent authorities

Key actions

- Preliminary step: Collect relevant statistics for MONEYVAL evaluation
- Agree on content & functionality
 - Agree on statistics / data points to be included
 - Agree on desired capabilities for ‘early warning signs’ or unveiling of suspicious activity
- Set up governance & infrastructure
 - Allocate responsibilities for build, maintenance, and updating of database
 - Set up IT infrastructure
 - Design regular reporting / management information structure
- Agree on information sharing approach
 - Decide on list of competent authorities to receive access rights
 - Align on reports to be disseminated publicly

Implementation timeline

- Q1-Q2 2018: Collect relevant statistics for MONEYVAL evaluation
- Q1-Q2 2019: Agree on content & functionality
- Q2-Q3 2019: Set up governance and allocate responsibilities
- Q3 2019: Set up IT infrastructure & design reporting structure
- Q3-Q4 2019: Agree on information sharing approach and commence publishing reports

Owners and key stakeholders

- **Owner:** Secretariat
- **Key stakeholders:** NCC, FIAU, MFSA, MGA

Dependencies

- Recommendation I.1
- Recommendation I.2

Deficiencies addressed

- Lack of database on AML/CFT statistics

Link to FATF

- Recommendation 33
- IO 1

I.9 Establish a national coordination mechanism Involve private sector by creating a public-private partnership

Deliverables

Priority Level: **Less urgent**

- Set up a public-private partnership to ensure more effective detection, deterrence and prevention of ML and TF

Key actions

- Identify composition and scope
 - Agree on composition, i.e. list of public and private institutions
 - Set out vision and strategic objectives
 - Set out list of main activities to be carried out, e.g. tactical intelligence, developing typologies, strategic analysis
- Set up operating model and governance structure
 - Agree on overall management of the partnership
 - Set out governance structure, e.g. composition of committees, working groups, expert groups, advisory groups
- Draft agreements & responsibilities
 - Draft MoUs, ToRs
 - Draft agreements on knowledge/information sharing

Implementation timeline

- Q1 2020: Identify composition and scope
- Q2 2020: Set up operating model & governance
- Q3 2020: Draft agreements and responsibilities
- Q4 2020: Hold first meeting

Owners and key stakeholders

- **Owner:** Secretariat
- **Key stakeholders:** NCC, supervisors, financial intermediaries, industry associations, law enforcement, government

Dependencies

- N/A

Deficiencies addressed

- Limited cooperation between public and private sector on fighting ML/TF

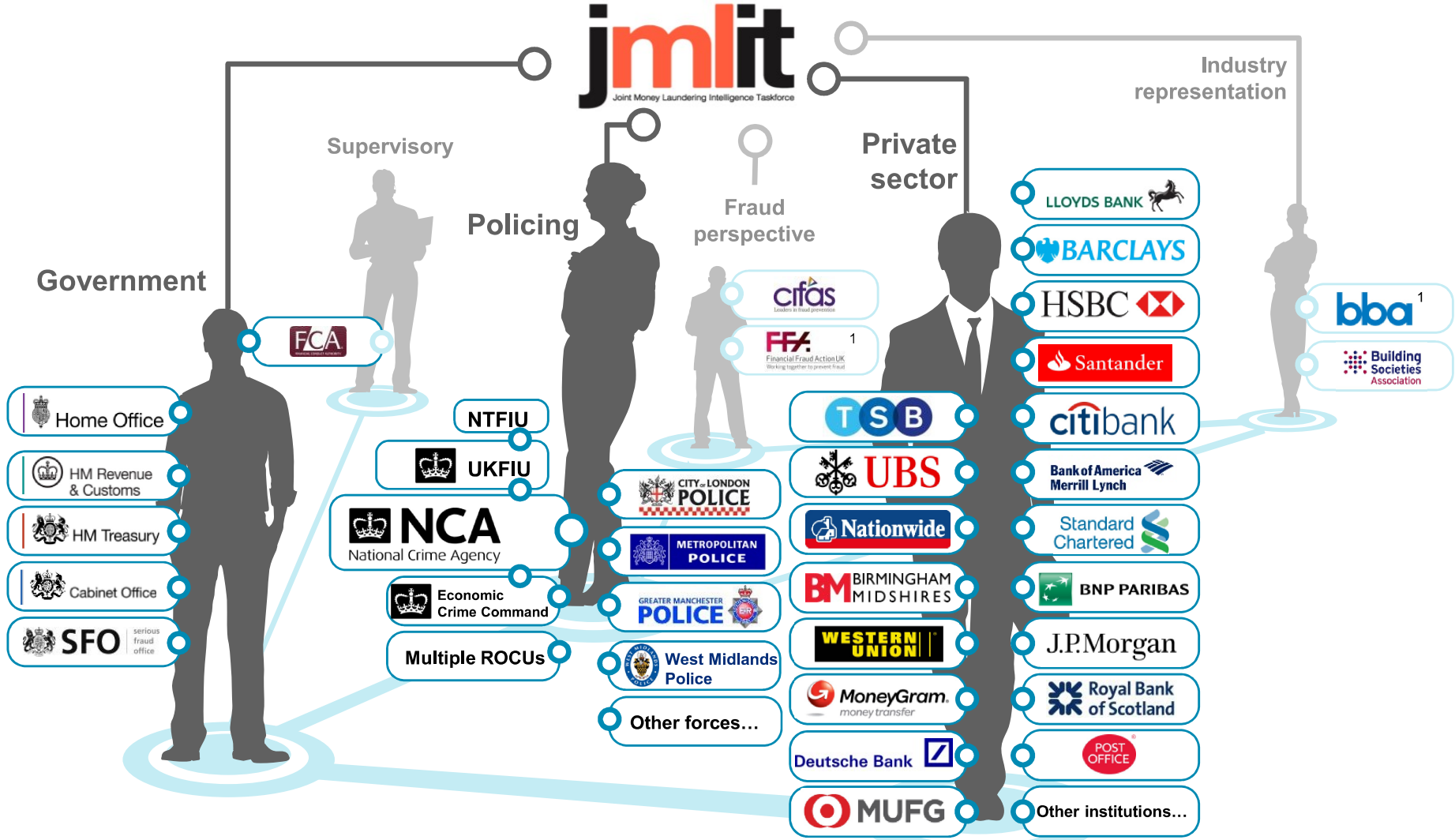
Link to FATF

- N/A

1.9 Involve private sector by creating a public-private partnership (1/4)
 Case study (1/4): JMLIT involves a vast number of stakeholders, including government, police and industry

Not exhaustive

JMLIT Stakeholder eco-system



1. FFAUK and BAA shortly to become "UK Finance" by merging with the Asset Based Finance Association (ABFA), Council of Mortgage Lenders (CML), Payments UK and the UK Cards Association (UKCA).

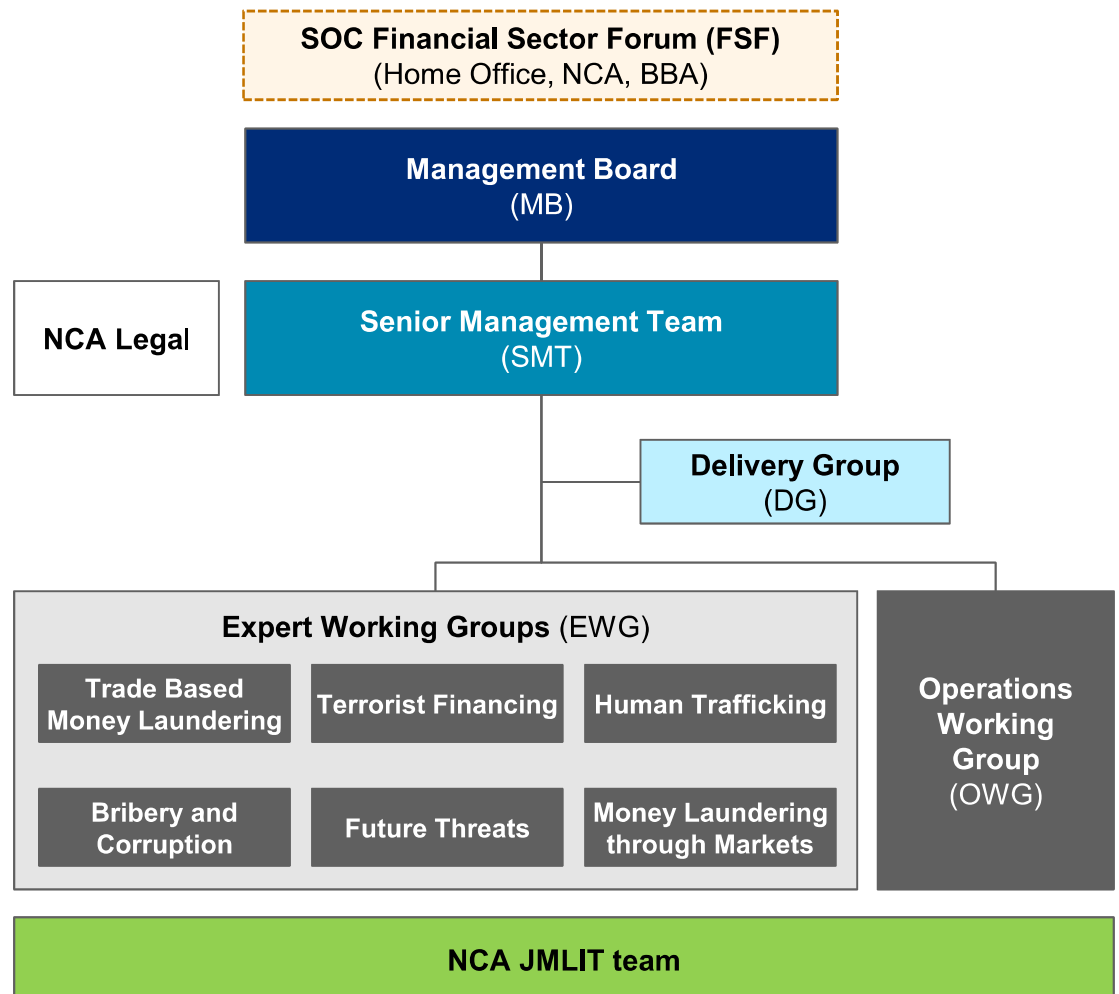
1.9 Involve private sector by creating a public-private partnership (2/4)

Case study (2/4): JMLIT was established in 2014 to bring together public and private sectors to conduct both operational and strategic analysis...

JMLIT Background and overview

- JMLIT was established in Feb 2014
 - To bring together public and private sectors with the aim of protecting the UK's position in the global financial services industry
 - Initially launched as a pilot by the Home Secretary with NCA facilitating an information sharing body between UK banks and UK police & public sector
- Operates using NCA legal powers and is enabled by their day-to-day management and support
- Composed of ~40 public and private organisations e.g.
 - Banks (20)
 - Police (NCA, CoLP, Met and others)
 - Government departments & agencies (6)
 - Industry bodies (4) and other institutions
- Oversight is provided through a mixed Management Board of senior public and private sector stakeholders
- The JMLIT's main activities include:
 - Operations Working Group (OWG) focused on tactical intelligence on specific cases
 - Expert Working Groups (EWG) focused on developing typologies, alerts and intellectual capital

JMLIT organisational structure



1.9 Involve private sector by creating a public-private partnership (3/4) Case study (3/4):...and it has had a dramatic impact on detecting, protecting against and disrupting high end money laundering

Law enforcement activities supported by JMLIT (August to October 2016)

Detect

- **70 intelligence requests processed**
- 39 suspects identified
- **323 accounts identified** that were not previously known to police
- **402 SARs filed based on JMLIT intelligence or advisory alerts**

Protect

- **608 internal bank investigations launched**
- 93 internal bank staff briefings
- 10 accepted improvements to bank AML controls based on JMLIT advice
- **19 advisory alerts** (e.g. ML/TF typologies) issued (since JMLIT pilot launched)

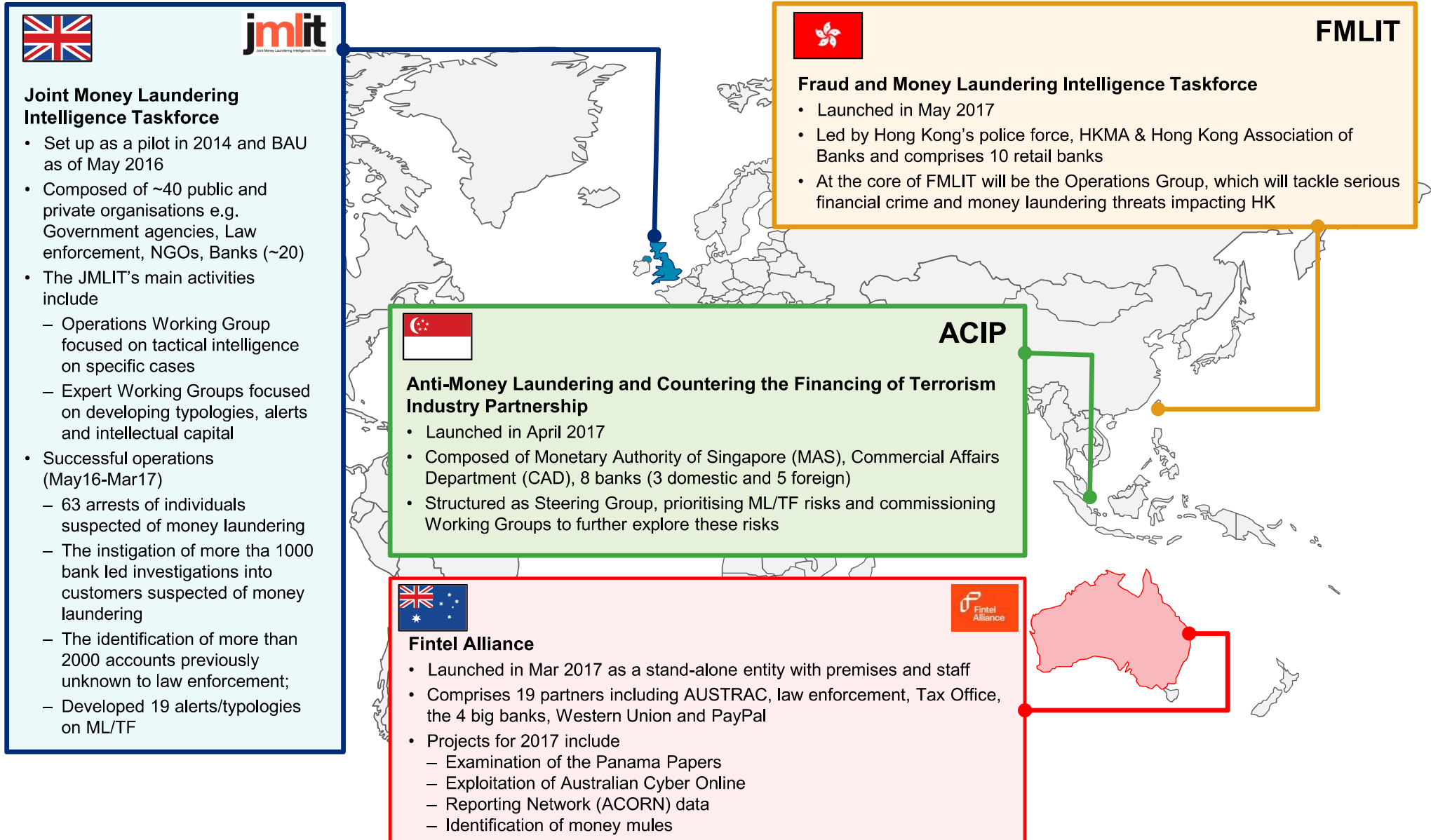
Disrupt

- **58 arrests made based on JMLIT support**
- **£5.45 million in funds seized or restrained**
- **222 customers subject to account closures**
- 37 orders granted under POCA
- 432 customers subject to enhanced monitoring

Source: JMLIT "Performance Pack" August – October 2016 inclusive (JMLIT Performance pack_vanilla_20170320 V1.0.xlsx)

1.9 Involve private sector by creating a public-private partnership (4/4)

Case study (4/4): JMLIT was therefore replicated in Australia, Singapore and Hong Kong



I.10 Establish a national coordination mechanism Update NRA and AML/CFT strategy in 2020

Deliverables

Priority Level: **Less urgent**

- Draft an updated NRA, assessing latest ML/TF risks, threats and vulnerabilities affecting the Maltese economy
- Set out an updated AML/CFT strategy and implementation plan, addressing identified gaps and shortcomings

Key actions

Implementation timeline

- | | |
|---|--|
| <ul style="list-style-type: none"> • Conduct post-mortem of previous NRA exercise (esp. challenges faced in previous exercise and points that were identified as requiring a deeper dive) • Structure and prepare exercise <ul style="list-style-type: none"> – Agree on overall oversight and governance of the process – Establish working groups – Set out execution plan • Gather data and stakeholder perspectives <ul style="list-style-type: none"> – Gather data – Hold discussions with relevant stakeholders • Draft reports, incorporate feedback and finalise <ul style="list-style-type: none"> – Draft NRA and AML/CFT strategy, and socialise with key stakeholders for feedback – Finalise and publish NRA and AML/CFT strategy | <ul style="list-style-type: none"> • Q4 2019: Agree on oversight and governance • Q1 2020: Establish working groups and set out execution plan • Q2 2020: Gather data and stakeholders perspectives • Q3-Q4 2020: Draft documents and socialise for feedback • Q4 2020: Finalise and publish NRA & strategy |
|---|--|

Owners and key stakeholders

Dependencies

- **Owner:** Secretariat
- **Key stakeholders:** NCC, FIAU, MFSA, MGA

- N/A

Deficiencies addressed

Link to FATF

- N/A

- Recommendation 1

Workblock II

Strengthen and clarify supervisory
framework

Workblock II: Strengthen and clarify supervisory framework

Summary (1/2)

| Recommendation | Priority level | Owners |
|---|----------------|---|
| 1 Define AML/CFT supervisory framework and target operating model <ul style="list-style-type: none"> • Document current supervisory framework • Agree and define target setup and implementation plan • Draft/finalise MOUs between MFSA/MGA and FIAU | Critical | <ul style="list-style-type: none"> • FIAU • MFSA • MGA |
| 2 Strengthen MFSA AML/CFT supervisory function <ul style="list-style-type: none"> • Split out AML/CFT unit from Enforcement, and include under Supervisory Council • Develop and implement entity-level risk-assessment tools • Strengthen AML/CFT supervisory capabilities | Critical | <ul style="list-style-type: none"> • MFSA |
| 3 Strengthen MGA AML/CFT supervisory function <ul style="list-style-type: none"> • Formalise AML/CFT policies & procedures • Conduct 40-50 on-site inspections of higher risk entities • Develop and implement entity-level risk assessment tools • Draft and issue sectoral guidance (jointly with FIAU) | Critical | <ul style="list-style-type: none"> • MGA |
| 4 Increase supervisory capacity and skills <ul style="list-style-type: none"> • Increase FIAU, MFSA and MGA staff • Train FIAU, MFSA and MGA staff | Critical | <ul style="list-style-type: none"> • FIAU • MFSA • MGA |
| 5 Review the AML/CFT obligations applicable to DNFBPs <ul style="list-style-type: none"> • Require at least registration of all subject persons (e.g. real estate agents) and maintain complete and up-to-date register of subject persons • Implement AML/CFT training requirements to obtain and maintain licensing/registration • Ensure communication of AML/CFT obligations to all sectors (e.g. boats and aircraft) | Critical | <ul style="list-style-type: none"> • FIAU |

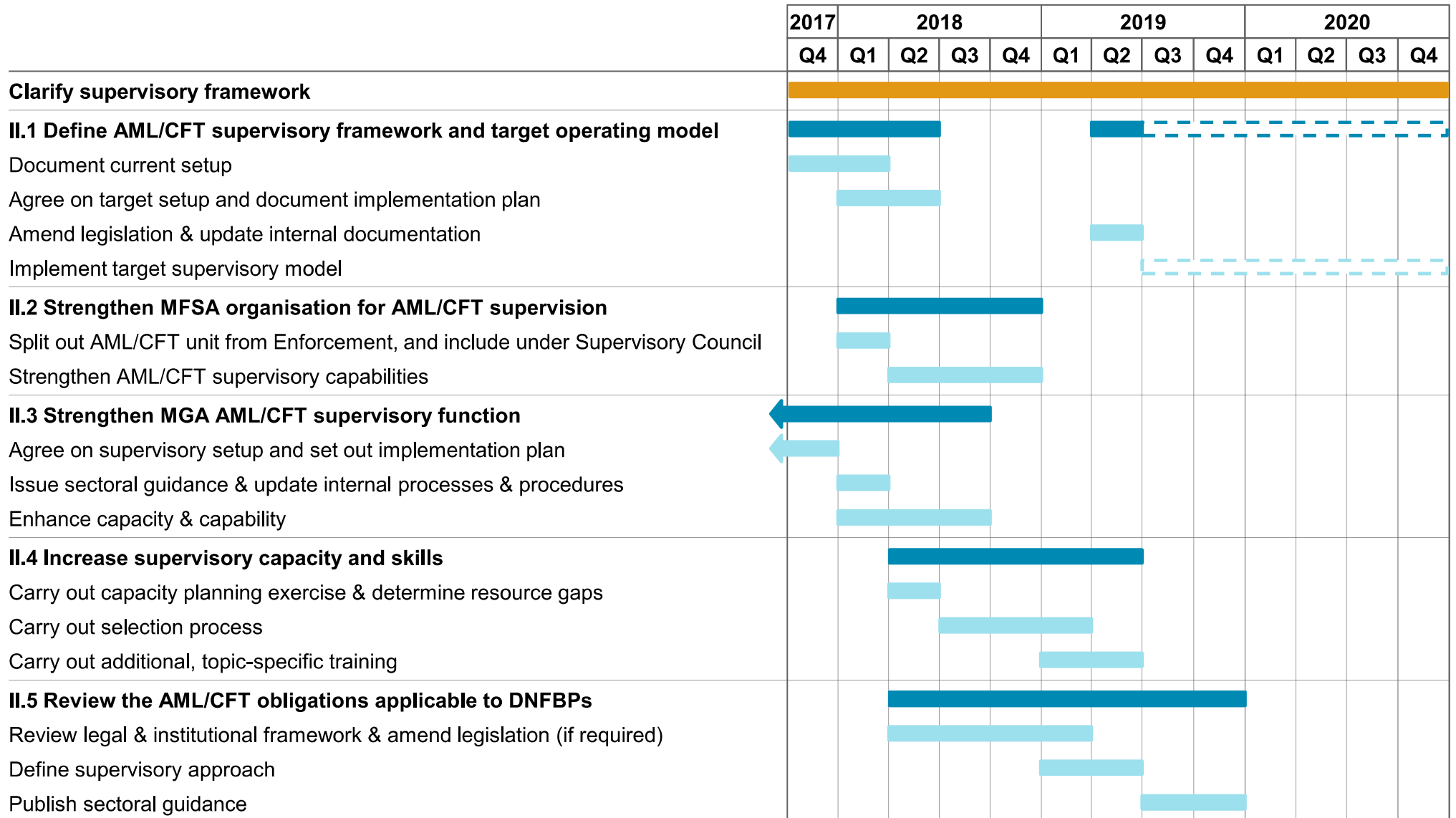
Workblock II: Strengthen and clarify supervisory framework

Summary (2/2)

| Recommendation | Priority level | Owners |
|---|----------------|---|
| 6 Conduct targeted reviews with financial intermediaries on: <ul style="list-style-type: none"> • Strategy to reduce the use of cash while ensuring financial inclusion • Assessment of the use and ML/TF risks of transferrable cheques | Important | <ul style="list-style-type: none"> • CBM • MFin |
| 7 Review and strengthen AML/CFT capabilities within government <ul style="list-style-type: none"> • Review AML/CFT controls, esp. for payments (e.g. CfR, Courts, Identity Malta) • Ensure coordination with FIAU (e.g. as subject person or MOUs) • Implement ongoing checks | Important | <ul style="list-style-type: none"> • FIAU |
| 8 Revise penalties and improve enforceability of AML/CFT obligations and sanctions (administrative and criminal penalties) | Important | <ul style="list-style-type: none"> • FIAU |
| 9 Increase supervisory outreach to industry on AML/CFT obligations (e.g. sectoral guidance, conferences, training) | Important | <ul style="list-style-type: none"> • FIAU • MFSA • MGA |
| 10 Increase breadth of supervision through thematic reviews (e.g. CDD, risk assessment, transaction monitoring) | Less urgent | <ul style="list-style-type: none"> • FIAU • MFSA • MGA |
| 11 Conduct sector- and product-specific risk assessments and analyses (e.g. cryptocurrencies) | Less urgent | <ul style="list-style-type: none"> • FIAU • MFSA • MGA |

Workblock II: Strengthen and clarify supervisory framework

Preliminary workplan (1/2)



Workblock II: Strengthen and clarify supervisory framework

Preliminary workplan (2/2)

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|---|------|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Clarify supervisory framework | | | | | | | | | | | | | |
| II.6 Conduct targeted reviews with financial intermediaries | | | | | | | | | | | | | |
| Carry out analysis and assess cash & cheque restriction options | | | | | | | | | | | | | |
| Carry out consultation phase & present recommendations to government | | | | | | | | | | | | | |
| Implement National Strategy for Electronic Payments | | | | | | | | | | | | | |
| II.7 Review and strengthen AML/CFT capabilities within government | | | | | | | | | | | | | |
| Identify priority list of government agencies and assess current state | | | | | | | | | | | | | |
| Establish process for ongoing monitoring & carry out capacity planning | | | | | | | | | | | | | |
| Set out implementation plan and amend legislation (if required) | | | | | | | | | | | | | |
| Expand list of government entities to be included | | | | | | | | | | | | | |
| II.8 Revise penalties and improve enforceability of AML/CFT obligations and sanctions | | | | | | | | | | | | | |
| Amend PMLA to grant Finance Minister right to amend rules and regulations | | | | | | | | | | | | | |
| Agree on required changes and identify legislation amendments required | | | | | | | | | | | | | |
| Consultation phase, draft law, socialise with stakeholders, and pass law | | | | | | | | | | | | | |
| Carry out education campaign | | | | | | | | | | | | | |
| II.9 Increase supervisory outreach to industry on AML/CFT obligations | | | | | | | | | | | | | |
| Identify topics and set out schedule | | | | | | | | | | | | | |
| Prepare activities and implement | | | | | | | | | | | | | |
| II.10 Increase breadth of supervision through thematic reviews | | | | | | | | | | | | | |
| Set out scope and develop plan for reviews | | | | | | | | | | | | | |
| Initiate thematic reviews | | | | | | | | | | | | | |
| II.11 Conduct sector- and product-specific risk assessments and analyses (e.g. cryptocurrencies) | | | | | | | | | | | | | |
| Set out scope and develop plan for risk assessments & analyses | | | | | | | | | | | | | |
| Conduct sector- and product-specific risk assessments and analyses | | | | | | | | | | | | | |

II.1 Strengthen and clarify supervisory framework

Define AML/CFT supervisory framework and target operating model

Deliverables

Priority Level: **Critical**

- Document current supervisory framework
- Agree and define target setup and implementation plan
- Draft/finalise MOUs between MFSA/MGA and FIAU

Key actions

- Document current supervisory framework
 - Draft processes and policies
 - Share with subject persons
- Agree and define target setup
 - Review options for supervisory setup and assess pros and cons
 - Agree on target supervisory setup between FIAU, MFSA and MGA
- Document target setup and implementation plan
 - Supplement current supervisory framework with target framework
 - Detail implementation plan
- Initiate implementation
 - Amend legislation (if required)
 - Review resourcing and respective mandates
 - Amend internal documentation

Implementation timeline

- Q4 2017-Q1 2018: Document current setup
- Q1-Q2 2018: Agree on target setup and document implementation plan
- Q2 2019: Amend legislation (if required) and update internal documentation
- Q3 2019 onwards: Implement target supervisory model

Owners and key stakeholders

- **Owners:** FIAU, MFSA, MGA

Dependencies

- N/A

Deficiencies addressed

- Unclear allocation of roles and governance among key supervisors

Link to FATF

- Recommendations 26, 27
- IO 3

II.1 Define AML/CFT supervisory framework and target operating model (1/4)

Introduction: AML/CFT supervision follows a cycle of six key steps

| Step | Definition |
|------------------------|--|
| Risk assessment | ML/TF risk assessment and understanding (both inherent and residual) aimed at prioritising efforts, resources, etc. and supports definition of strategy |
| Regulation | Defining applicable regulation (sectoral guidance), and informing/educating supervised entities (e.g. via conferences, trainings) |
| Licensing | Market entry controls (e.g. licensing and registration) meant to prevent criminals or their associates from abusing a financial institution |
| Supervision | Assessing the quality and effectiveness of a supervised entity's controls designed to detect and deter ML and TF, including controls required by law or regulation |
| Enforcement | Range of sanctions that can be applied proportionately by the supervisor to breaches of supervisory requirements |
| Monitoring & reporting | Understanding the impact supervisory actions have on compliance to ensure that supervision is adequate to mitigate current ML/TF risks |

II.1 Define AML/CFT supervisory framework and target operating model (2/4)

In the current setup, FIAU & MFSA share responsibility for onsite supervision, with FIAU leading across most other cycle components

| | FIAU | MFSA |
|------------------------|---|--|
| Risk assessment | <ul style="list-style-type: none"> Coordinates data requests & submissions Scores overall risk and controls Compiles overall risk assessment | <ul style="list-style-type: none"> Supports with provision of “structural score” on complexity of entity |
| Regulation | <ul style="list-style-type: none"> Defines regulation (e.g. via sectoral guidance), and manages education of supervised entities (e.g. via conferences, trainings) | <ul style="list-style-type: none"> Can support with training exercises |
| Licensing | <ul style="list-style-type: none"> Conducts fit & proper test of MLRO Supports with provision of additional information | <ul style="list-style-type: none"> Carries out due diligence process Corroborates information Makes final decision on license & authorisation |
| Supervision | <ul style="list-style-type: none"> Joint onsite inspections Conducts offsite supervision processes | <ul style="list-style-type: none"> Joint onsite inspections |
| Enforcement | <ul style="list-style-type: none"> Possesses authority to impose fines and sanctions | <ul style="list-style-type: none"> May consider license revocation in cases of severe shortcomings and/or breaches |
| Monitoring & reporting | <ul style="list-style-type: none"> Manages feedback loop to regulated entities on AML/CFT matters | |

Key: Main responsibility Joint support Limited/no support

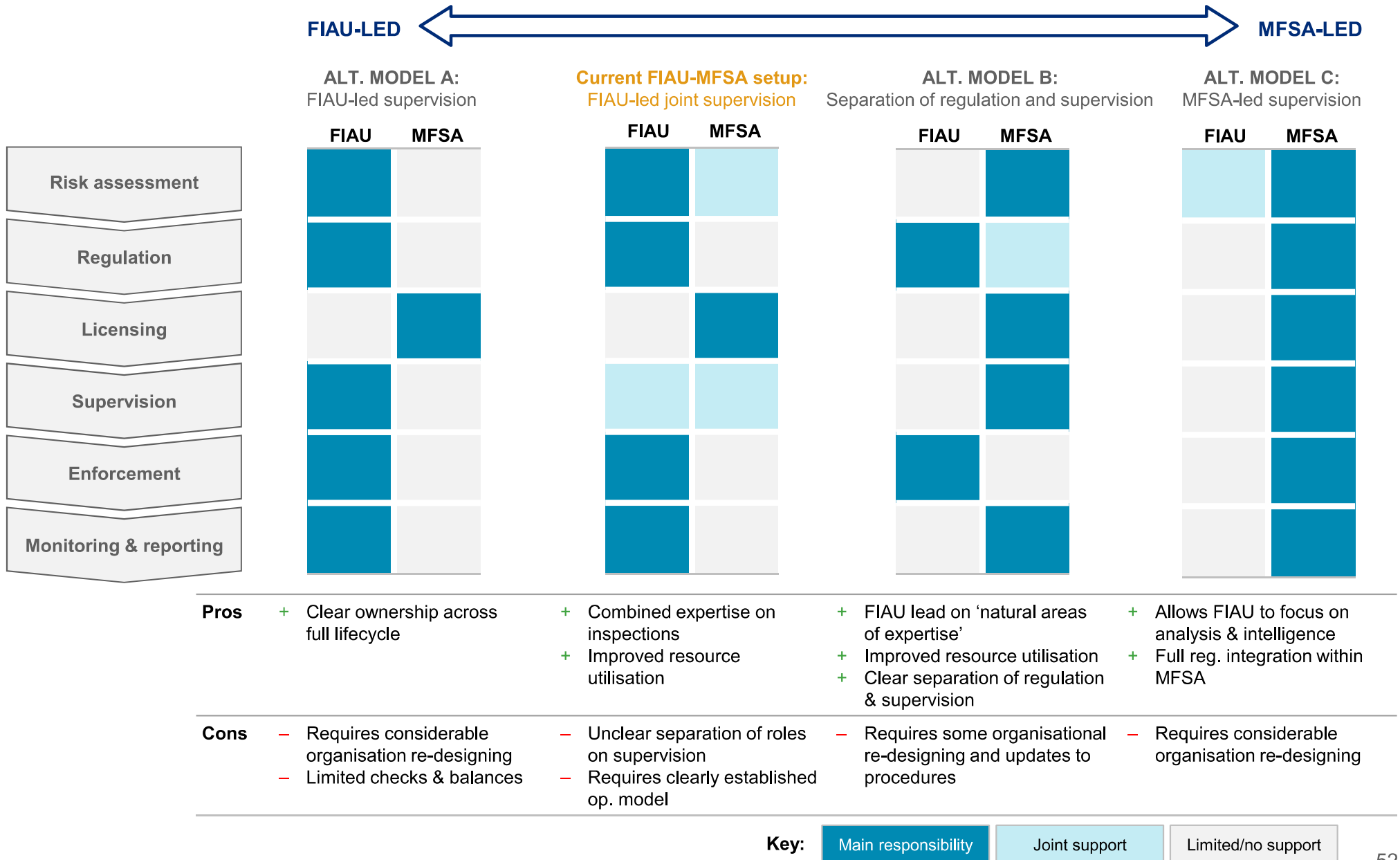
II.1 Define AML/CFT supervisory framework and target operating model (3/4)
 Envisaged MGA/FIAU supervisory coordination is more MGA-led, however some similarities to MFSA/FIAU model on joint onsite & enforcement

| | FIAU | MGA |
|------------------------|--|--|
| Risk assessment | | <ul style="list-style-type: none"> Coordinates data requests & submissions Scores overall risk and controls Compiles overall risk assessment |
| Regulation | <ul style="list-style-type: none"> Defines regulation (e.g. via sector guidance) Can support with training exercises | <ul style="list-style-type: none"> Manages information processes on sectoral guidance, trainings, etc. |
| Licensing | <ul style="list-style-type: none"> May support with fit & proper test of MLRO | <ul style="list-style-type: none"> Carries out due diligence process Corroborates information Makes final decision on license & authorisation |
| Supervision | <ul style="list-style-type: none"> Supporting role in off-site and on-site supervision | <ul style="list-style-type: none"> Leads joint onsite supervision processes Manages offsite supervision processes |
| Enforcement | <ul style="list-style-type: none"> Possesses authority to impose fines and sanctions | <ul style="list-style-type: none"> May consider license revocation in cases of severe shortcomings and/or breaches |
| Monitoring & reporting | | <ul style="list-style-type: none"> Manages feedback loop to regulated entities on AML/CFT matters |

Key: Main responsibility Joint support Limited/no support

II.1 Define AML/CFT supervisory framework and target operating model (4/4)

A number of potential alternative models exist



II.2 Strengthen and clarify supervisory framework

Strengthen MFSA organisation for AML/CFT supervision

Deliverables

Priority Level: **Critical**

- Split out AML Unit from Enforcement, and include under Supervisory Council
- Develop and implement entity-level risk-assessment tools
- Strengthen AML/CFT supervisory capabilities

Key actions

- Split out AML Unit from Enforcement, and include under Supervisory Council
 - Request confirmation of changes from MFSA Board
 - Update processes and procedures
 - Appoint stand-alone AML/CFT Unit head
 - Update Supervisory Council ToR
- Strengthen AML/CFT supervisory capabilities
 - Increase overall AML/CFT staff capacity
 - Develop and implement entity-level risk assessment tools
 - Train staff
- Issue relevant communications
 - Update on MFSA website
 - Newsletter

Implementation timeline

- Q1 2018: Split out AML/CFT unit from Enforcement, and include under Supervisory Council
- Q2-Q4 2018: Strengthen AML/CFT supervisory capabilities
- Q4 2018: Issue relevant communications

Owners and key stakeholders

- **Owner:** MFSA
- **Key stakeholders:** MFSA Enforcement Unit, MFSA Supervisory Council

Dependencies

- Recommendation II.1

Deficiencies addressed

- AML/CFT not part of the MFSA Supervisory Council
- Extra effort required between supervisory units in terms of coordination & cooperation

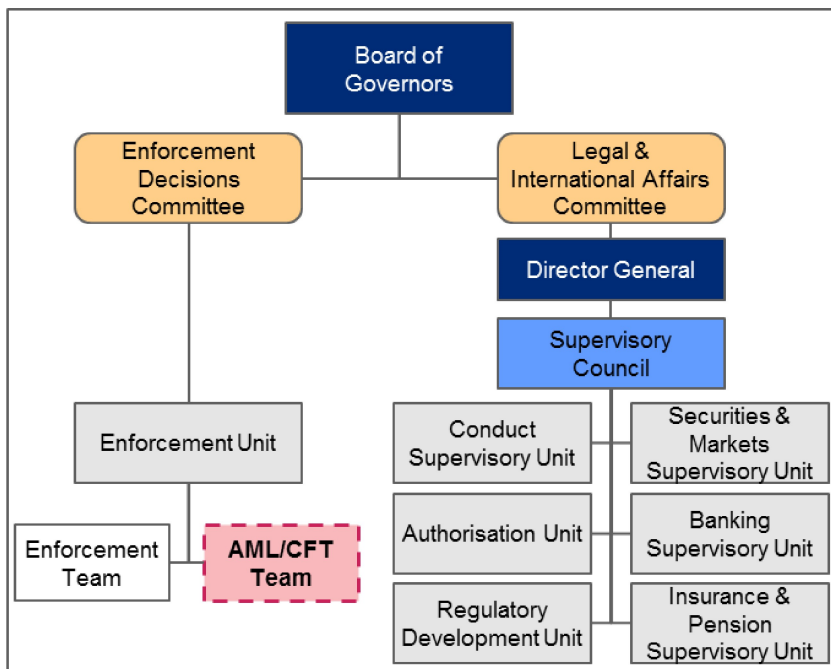
Link to FATF

- Recommendations 26, 27
- IO 3

II.2 Strengthen MFSA organisation for AML/CFT supervision

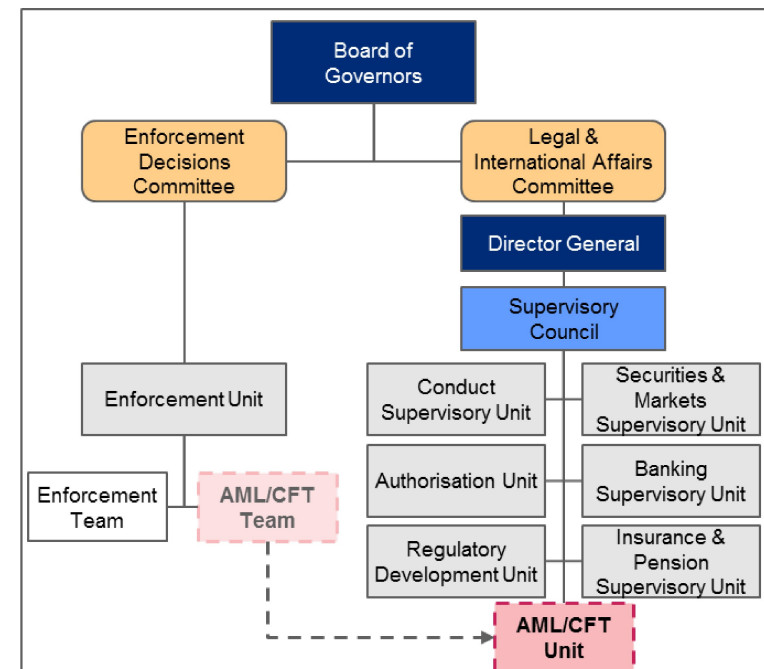
MFSA's organisation setup could be improved to allow for optimised effectiveness in AML/CFT supervision

Current MFSA setup



- AML/CFT Team was set up in 2014 under the Enforcement Unit
- AML/CFT not part of the MFSA Supervisory Council, since the Head of the Enforcement Unit also heads the AML/CFT Team

Suggested MFSA setup



- ✓ Clear setup and governance: Distinct separation between supervisory and enforcement teams
- ✓ Enhanced supervisory coordination: Better insights into focus points of other supervisory teams, allowing more consistent engagement with supervised entities and overall macro supervision

II.3 Strengthen and clarify supervisory framework

Strengthen MGA AML/CFT supervisory function

Deliverables

Priority Level: **Critical**

- Formalise AML/CFT policies & procedures
- Conduct 40-50 on-site inspections of higher risk entities
- Develop and implement entity-level risk assessment tools
- Draft and issue sectoral guidance (jointly with FIAU)

Key actions

- Assess options and agree on supervisory setup (*completed*)
- Set out implementation plan (*completed*)
- Carry out sectoral risk assessment and define targets
 - Carry out risk review of the sector and subject persons
 - Define targets (e.g. number of inspections based on risk assessment)
 - Carry out capacity planning based on targets & overall capacity demand
- Implement changes & prepare for new modus operandi
 - Issue sectoral guidance
 - Update processes and procedures
- Operationalise
 - Design risk assessment tools & enhance IT infrastructure
 - Enhance capacity & capability (hiring & training of staff)

Implementation timeline

- 2017: Agree on supervisory setup (*completed*)
- 2017: Set out implementation plan (*completed*)
- 2017: Carry out risk assessment & define targets (*completed*)
- Q1 2018: Issue sectoral guidance
- Q1 2018: Update processes and procedures
- Q1 2018: Enhance IT infrastructure
- Q1-Q3 2018: Enhance capacity & capability

Owners and key stakeholders

- **Owner:** MGA
- **Key stakeholders:** FIAU

Dependencies

- Recommendation II.1

Deficiencies addressed

- Limited supervision of Malta's gaming sector

Link to FATF

- Recommendations 26, 27
- IOs 3, 4

II.4 Strengthen and clarify supervisory framework

Increase supervisory capacity and skills

Deliverables

Priority Level: **Critical**

- Carry out capacity planning exercise to determine resource gaps
- Carry out selection process to hire staff
- Carry out topic-specific trainings to enhance staff skills

Key actions

- Agree on target AML/CFT supervisory setup (recommendation II.1)
- Carry out detailed capacity planning exercise, based on:
 - List of activities carried out (e.g. onsite/offsite examinations, reports)
 - No. of each activity carried out (e.g. no. of onsites planned per sector, depending on risk level & number of subject persons)
 - Time required for each activity
- Agree on target number of staff required (based on capacity planning)
- Carry out selection process:
 - Draft and issue job specs
 - Select and interview candidates
 - Hire & train staff
- Design, plan, and carry out additional topic-specific trainings to enhance skills

Implementation timeline

- Q1 2018: Agree on target supervisory setup
- Q2 2018: Carry out capacity planning exercise and determine resource gaps
- Q3 2018-Q1 2019: Carry out selection process
- Q1-Q2 2019: Carry out additional, topic-specific trainings

Owners and key stakeholders

- **Owners:** FIAU, MFSA, MGA

Dependencies

- Recommendation II.1

Deficiencies addressed

- Lack of resources across supervisors

Link to FATF

- Recommendations 26, 27
- IO 3

II.5 Strengthen and clarify supervisory framework

Review the AML/CFT obligations applicable to DNFBPs

Deliverables

Priority Level: **Critical**

- Require at least registration of all subject persons (e.g. real estate agents) and maintain complete and up-to-date register of subject persons
- Implement AML/CFT training requirements to obtain and maintain licensing/registration
- Ensure communication of AML/CFT obligations to all sectors (e.g. boats and aircraft)

Key actions

- Review legal and institutional framework
 - Clarify application of AML/CFT obligations to advocates
 - Conduct legal review of licence withdrawal/revocation powers for DNFBPs
- Amend legislation (if required)
 - Identify a comprehensive list of legislation required to be implemented
 - Conduct consultation phase
 - Draft law with new provisions or changes to existing legal provisions
 - Socialize draft law with relevant stakeholders (e.g. key policy-makers)
 - Initiate parliamentary approval process
- Establish supervisory & enforcement mechanism
 - Define supervisory approach for each DNFBP sub-sector
 - Set out modus operandi and licensing requirements with industry associations
 - Publish sectoral guidance relevant to each DNFBP sub-sector

Implementation timeline

- Q2 2018: Review legal and institutional framework
- Q2 2018: Identify list of legislation to be implemented
- Q3 2018: Consultation phase
- Q4 2018: Draft law & socialise
- Q1 2019: Initiate parliamentary approval process
- Q1-Q2 2019: Define supervisory approach
- Q2 2019: Align with industry associations
- Q3-Q4 2019: Publish sectoral guidance

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** DNFBPs, relevant DNFBP industry associations

Dependencies

- Recommendation II.1

Deficiencies addressed

- Limited enforcement measures in DNFBP sector
- Gaps in oversight and visibility of all relevant subject persons in DNFBP sector

Link to FATF

- Recommendation 28
- IOs 3, 4

II.6 Strengthen and clarify supervisory framework

Finalise review and implement national strategy for electronic payments

Deliverables

Priority Level: **Important**

Conduct targeted review and implement recommendations on:

- Strategy to reduce the use of cash while ensuring financial inclusion
- Assessment of the use and ML/TF risks of transferrable cheques

Key actions

- Assess current situation and evaluate options (*completed*)
 - Carry out deep-dive analysis into the use of cash & cheques in the Maltese economy
 - Assess options on restricting cash & cheque transactions
 - Align on a list of recommendations to increase electronic payments
- Establish implementation plan and socialise with stakeholders & policy-makers
 - Carry out stakeholder consultation & implement feedback
 - Receive approval by Ministry for Finance
 - Present recommendations to government for 2019 budget
- Implement national strategy for electronic payments

Implementation timeline

- 2016-2017: Assess current situation and evaluate options (*completed*)
- Q1-Q2 2018: Carry out stakeholder consultation and implement feedback
- Q2 2018: Receive approval from Ministry for Finance
- Q3 2018: Present recommendations to government
- 2019-2020: Implement national strategy for electronic payments

Owners and key stakeholders

- **Owner:** CBM, MFin
- **Key stakeholders:** FIAU, MFSA, financial intermediaries

Dependencies

- N/A

Deficiencies addressed

- A number of sectors in Malta with high number of cash transactions, exposing the sector to ML
- A considerable proportion of the working population receives a cash-based salary

Link to FATF

- Recommendation 14
- IO 3

II.7 Strengthen and clarify supervisory framework

Review and strengthen AML/CFT capabilities within government

Deliverables

Priority Level: **Important**

- Review AML/CFT controls, esp. for payments (e.g. CfR, Courts, Identity Malta)
- Ensure coordination with FIAU (e.g. as subject person or MOUs)
- Implement ongoing checks

Key actions

- Set out scope and assess current state controls setup
 - Identify priority list of government agencies with potential touch points across AML/CFT value chain (e.g. government agencies receiving payments)
 - Assess level of risk of ML/TF
 - Review existing controls and processes and gap assessment
- Define target state setup
 - Identify required enhancements to controls and processes
 - Identify data and information to be shared between government, supervisors and relevant AML/CFT subject persons
 - Establish procedure for ongoing monitoring/regular reviews
 - Carry out capacity planning exercise to inform staff enhancements required
- Set out implementation plan
- Amend legislation (if required)
- Expand list of government agencies to be included

Implementation timeline

- Q2 2018: Identify priority list of relevant agencies
- Q3 2018: Review established controls and processes, and agree on enhancements required
- Q4 2018: Identify data and information to be shared between entities & supervisors
- Q4 2018: Establish procedure for ongoing monitoring and carry out capacity planning
- Q4 2018 – Q1 2019: Set out implementation plan
- Q1 2019: Amend legislation (if required)
- Q2-Q4 2019: Expand list of government agencies to be included

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** Relevant government agencies

Dependencies

- Recommendation II.1

Deficiencies addressed

- Limited supervisory visibility into AML/CFT processes in government agencies
- Limited data and information exchange between government agencies, supervisors, and relevant AML/CFT subject persons (e.g. banks)

Link to FATF

- Recommendation 2
- IO 6

II.8 Strengthen and clarify supervisory framework

Revise penalties and improve enforceability of AML/CFT obligations and sanctions (administrative and criminal penalties)

Deliverables

Priority Level: **Important**

- Increase cap on sanctions for non-compliance with AML/CFT regulations
- Introduce law to allow for criminal penalties to be imposed for serious AML/CFT breaches

Key actions

- Amend PMLA to grant Finance Minister right to amend rules and regulations for punishments, penalties, and other measures (*completed*)
- Conduct legal and supervisory review of required changes (e.g. against 4AMLD, FATF standards, peers best practice)
- Amend legislation
 - Identify legislation required to be implemented
 - Conduct consultation phase
 - Draft law with new provisions or changes to existing legal provisions
 - Socialize draft law with relevant stakeholders (e.g. key policy-makers)
 - Initiate legislative process
- Carry out information campaign (e.g. with sectors)

Implementation timeline

- Q4 2017: Amend PMLA to grant Finance Minister right to amend rules and regulations for punishments, penalties, and other measures (*completed*)
- Q3 2018: Agree on required changes
- Q4 2018: Identify legislation required
- Q1 2019: Consultation phase
- Q2 2019: Draft law & socialise with stakeholders
- Q3 2019: Pass law in parliament
- Q3-Q4 2019: Carry out education campaign

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** AGO, AML/CFT subject persons

Dependencies

- Recommendation II.1

Deficiencies addressed

- Sanctions imposed are insufficiently high to create effective impetus and urgency for subject persons to ensure compliance

Link to FATF

- Recommendations 26, 27
- IO 3

II.9 Strengthen and clarify supervisory framework

Increase supervisory outreach to industry on AML/CFT obligations (e.g. sectoral guidance, conferences, training)

Deliverables

Priority Level: **Important**

- Issue sectoral guidance, where relevant
- Hold increased number of conferences and training sessions

Key actions

- Identify topics, areas and sectors requiring enhanced supervisory outreach
 - Create preliminary on list of topics
 - Invite feedback/suggestions from subject persons & industry associations
 - Finalise list of guidance/trainings/conferences to be drafted/conducted
- Set out plan to implement
 - For each topic, agree on format (e.g. written guidance, training, conference), content, participants, timing, location
 - Publish schedule & inform subject persons
- Prepare activities and implement
 - Assign staff to prepare materials/conduct outreach
 - Draft guidances/conduct events

Implementation timeline

- Q2 2019: Identify topics
- Q3 2019: Set out plan and publish schedule
- Thereafter: Prepare activities and implement

Owners and key stakeholders

- **Owner:** FIAU, MFSA, MGA
- **Key stakeholders:** Relevant subject persons/industry associations

Dependencies

- N/A

Deficiencies addressed

- Limited guidance and training to subject persons on AML/CFT matters, particularly outside of Financial Services sector

Link to FATF

- Recommendation 34
- IO 3

I.10 Strengthen and clarify supervisory framework

Increase breadth of supervision through thematic reviews (i.e. covering more institutions on fewer topics)

Deliverables

Priority Level: **Less urgent**

- Establish process for more targeted thematic reviews across many supervised entities in a sector (e.g. CDD, risk assessment, transaction monitoring)

Key actions

- Set out scope
 - Identify key themes for review
 - Set targets for thematic inspections (e.g. carry out x thematic reviews in Banking sector in 2020)
 - Carry out capacity planning to identify number of staff available to carry out in-depth thematic reviews
 - Set up process to regularly review required reviews & targets
- Develop plan for thematic reviews
- Initiate thematic reviews

Implementation timeline

- Q3 2019: Set out scope
- Q4 2019: Develop plan for thematic reviews
- 2020: Initiate thematic reviews

Owners and key stakeholders

- **Owner:** FIAU, MFSA, MGA
- **Key stakeholders:** Subject persons

Dependencies

- N/A

Deficiencies addressed

- Room for improvement on number of inspections carried out in a number of sectors

Link to FATF

- Recommendations 26, 34
- IO 3

1.11 Strengthen and clarify supervisory framework

Conduct sector- and product-specific risk assessments and analyses (e.g. cryptocurrencies)

Deliverables

Priority Level: **Less urgent**

- Establish process for identification and drafting of relevant sector- and product-specific risk assessments and analyses (e.g. on cryptocurrencies)

Key actions

- Set out scope
 - Identify key themes for assessment & analysis
 - Carry out capacity planning to identify number of staff available to carry risk assessments and analyses
 - Set up process to regularly review required risk assessments & analyses
- Develop plan for risk assessments & analyses
- Conduct sector- and product-specific risk assessments and analyses

Implementation timeline

- Q3 2019: Set out scope
- Q4 2019-Q1 2020: Develop plan for risk assessments and analyses
- Q2 2020: Conduct sector- and product-specific risk assessments and analyses

Owners and key stakeholders

- **Owner:** FIAU, MFSA, MGA
- **Key stakeholders:** Relevant subject persons / industry associations

Dependencies

- N/A

Deficiencies addressed

- Limited sector- and product-specific risk assessments and analyses

Link to FATF

- Recommendation 26
- IO 3

Workblock III

Enhance internal capabilities
of the FIU

Workblock III: Enhance internal capabilities of the FIU

Summary

| Recommendation | Priority level | Owners |
|--|----------------|-----------------|
| 1 Increase FIAU staff capacity and skills (esp. hire and train staff) | Critical | • FIAU |
| 2 Provide the FIAU with direct access to relevant databases <ul style="list-style-type: none"> • Tax databases (esp. Business Object)¹ • Register of companies • Land registry • Public registry • Vehicle registration database (e.g. shipping, aircrafts) • Passenger name record database • Identity Malta database (incl. previously granted citizenship) | Critical | • FIAU |
| 3 Enhance IT capabilities for operational analysis <ul style="list-style-type: none"> • Automate STR collection and filtering (e.g. risk scoring) with a dedicated tool and develop common STR taxonomy to optimise ability to search • Enhance strategic and operational analysis with a specialised analytical tool • Improve workflow management and coordination with law enforcement | Critical | • FIAU |
| 4 Develop approach to and initiate strategic analyses (e.g. Libyan deposits at Maltese banks) | Important | • FIAU |
| 5 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) | Important | • FIAU |
| 6 Further improve feedback loop with private sector | Less urgent | • FIAU |
| 7 Increase coordination between FIAU and CfR (e.g. to compare income data with activity) | Less urgent | • FIAU • CfR |

1. Availability of income and tax data may require legislative amendments

Workblock III: Enhance internal capabilities of the FIU

Preliminary workplan

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|--|------|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Enhance internal capabilities of the FIU | | | | | | | | | | | | | |
| III.1 Increase FIAU staff capacity and skills | | | | | | | | | | | | | |
| Carry out capacity planning | | | | | | | | | | | | | |
| Carry out selection process | | | | | | | | | | | | | |
| Carry out additional training | | | | | | | | | | | | | |
| III.2 Provide the FIAU with direct access to all relevant databases | | | | | | | | | | | | | |
| Amend PMLA to allow for statutory changes to be effected | | | | | | | | | | | | | |
| Align on scope and effect statutory changes | | | | | | | | | | | | | |
| Enhance IT infrastructure and processes | | | | | | | | | | | | | |
| Train staff | | | | | | | | | | | | | |
| III.3 Enhance IT capabilities for operational analysis | | | | | | | | | | | | | |
| Agree on enhancements & carry out vendor selection | | | | | | | | | | | | | |
| Integrate IT infrastructure & enhance reporting capabilities | | | | | | | | | | | | | |
| Update internal processes and train staff | | | | | | | | | | | | | |
| III.4 Develop approach to and initiate strategic analyses | | | | | | | | | | | | | |
| Define a high level process / policy | | | | | | | | | | | | | |
| Agree on scope and plan for the next year | | | | | | | | | | | | | |
| Hire and train staff & operationalise unit | | | | | | | | | | | | | |
| III.5 Require and train all government entity employees to file STRs or contact the FIAU in case of suspicious activity | | | | | | | | | | | | | |
| Identify entities & agree on reporting requirements | | | | | | | | | | | | | |
| Set out implementation plan and carry out changes | | | | | | | | | | | | | |
| III.6 Further improve feedback loop with private sector | | | | | | | | | | | | | |
| Agree on list of changes and set out schedule for feedback sessions | | | | | | | | | | | | | |
| Hold sessions with subject persons | | | | | | | | | | | | | |
| III.7 Increase coordination between FIAU and CfR | | | | | | | | | | | | | |
| Identify legal changes required (if necessary) | | | | | | | | | | | | | |
| Agree on reporting requirements, set out plan and document changes | | | | | | | | | | | | | |
| Introduce/update IT tools & commence carrying out thematic reviews | | | | | | | | | | | | | |

III.1 Enhance internal capabilities of the FIU

Increase FIAU staff capacity and skills (esp. increase and train staff)

Deliverables

Priority Level: **Critical**

- Hire additional staff in the FIAU Analysis Team
- Design and carry out staff training

Key actions

- Carry out detailed capacity planning exercise, based on:
 - List of activities carried out (e.g. searches & checks, reports)
 - No. of each activity carried out (based on no. of STRs, own initiatives, and requests from e.g. foreign FIUs, law enforcement)
 - Time required for each activity
- Agree on target number of staff required (based on capacity planning)
- Carry out selection process:
 - Issue job specs
 - Select and interview candidates
 - Hire & train staff
- Design, plan, and carry out additional topic-specific trainings to enhance skills

Implementation timeline

- Q1 2018: Carry out capacity planning exercise and determine resource gaps
- Q2-Q4 2018: Carry out selection process
- Q4 2018-Q1 2019: Carry out additional, topic-specific trainings

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** FIAU Analysis team, MFin

Dependencies

- Recommendation II.1

Deficiencies addressed

- Lack of FIAU analysis/intelligence resources

Link to FATF

- Recommendations 29, 30, 31
- IO 6

III.2 Enhance internal capabilities of the FIU

Provide the FIAU with direct access to all relevant databases

Deliverables

Priority Level: **Critical**

- Grant FIAU status of competent authority and right to access databases relevant for intelligence purposes
(see summary of strategic actions page for list of databases)
- Introduce software to allow for efficient database link-up (e.g. goINTEL)

Key actions

- Amend PMLA to allow for statutory changes to be effected (*completed*)
- Align on scope
 - Review/finalise list of databases required for effective intelligence activities
 - Liaise with competent authorities about information sharing
- Effect statutory changes
 - Issue regulation to reflect FIAU's enhanced information access
 - Grant FIAU status of competent authority and relevant access rights
 - Request budget for database link-up software
- Implement required structure and enhance staff capabilities
 - Set out and implement enhanced IT infrastructure & processes within FIAU for effective and efficient data gathering and analysis
 - Train FIAU staff to effectively use new data sources

Implementation timeline

- Q4 2017: Amend PMLA to allow for statutory changes to be effected (*completed*)
- Q1 2018: Align on scope
- Q1 2018: Effect statutory changes
- Q2-Q4 2018: Enhance FIAU IT infrastructure & processes
- Q4 2018: Train FIAU staff

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** Identified database owners, MFin

Dependencies

- N/A

Deficiencies addressed

- Inadequate FIAU access to relevant databases
- Lack of database on AML/CFT statistics

Link to FATF

- Recommendation 29
- IO 6

III.3 Enhance internal capabilities of the FIU

Enhance IT capabilities for operational analysis

Deliverables

Priority Level: **Important**

- Automate STR collection and filtering (e.g. risk scoring) with a dedicated tool and develop common STR taxonomy to optimise ability to search
- Enhance strategic and operational analysis with a specialised analytical tool
- Improve workflow management and coordination with law enforcement

Key actions

- Agree on objective
 - Agree on list of target analytical enhancements required
 - Define KPIs
- Carry out vendor selection
 - Review list of vendors, offers, and prices
 - Select appropriate vendors
- Integrate new capabilities/modules into IT infrastructure
 - Coding
 - Testing
 - Launch
- Update internal processes and policies
- Train staff

Implementation timeline

- Q1 2018: Agree on enhancements & KPIs
- Q2 2018: Vendor selection
- Q3 2018-Q1 2019: Integrate IT infrastructure
- Q2 2019: Update internal processes
- Q3 2019: Train staff

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** Police

Dependencies

- N/A

Deficiencies addressed

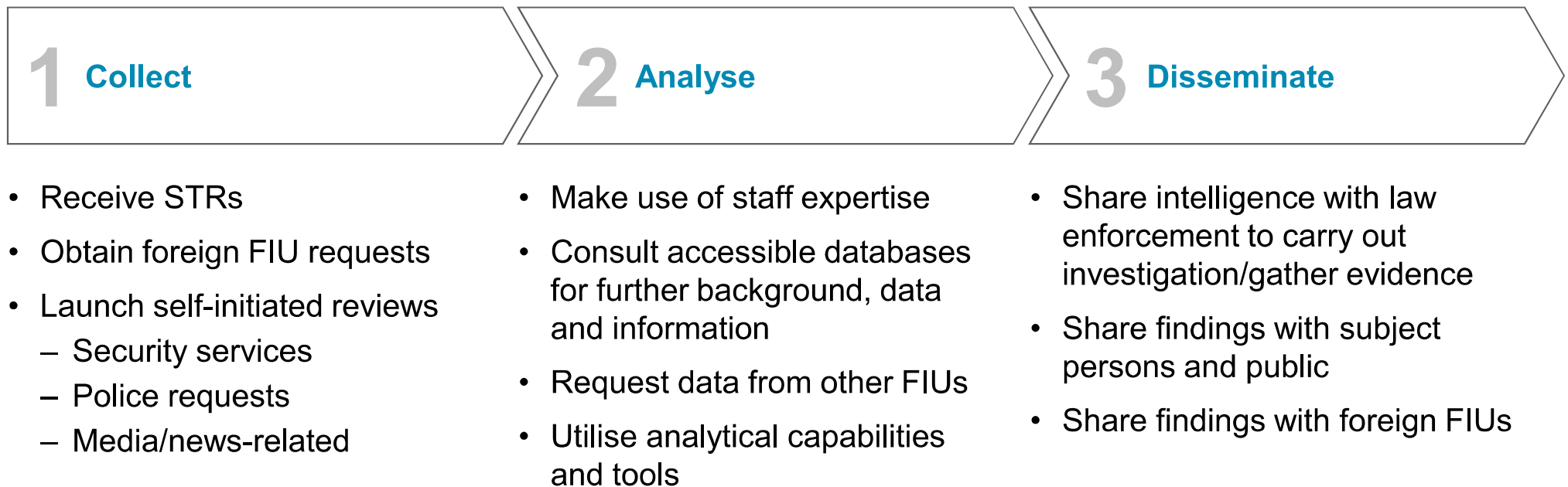
- Inadequate FIAU analytical tools

Link to FATF

- Recommendation 29
- IO 6

III.3 Enhance IT capabilities for operational analysis (1/2)
FIU intelligence activities are centred around collection, analysis and dissemination of data...

Main FIU intelligence activities



III.3 Enhance IT capabilities for operational analysis (2/2) ...and can be significantly enhanced through the use of databases and tools

1 Collect

2 Analyse

3 Disseminate

Functionality

- Integrated database tools to collect & store STRs and other information
- Certain systems compatible with other workflow tools

- Risk scoring & filtering of STRs
- Data matching across databases
- Cognitive computing to identify threats and support investigations

- International platforms used to share intelligence and request assistance
- Securely connect competent authorities to exchange information

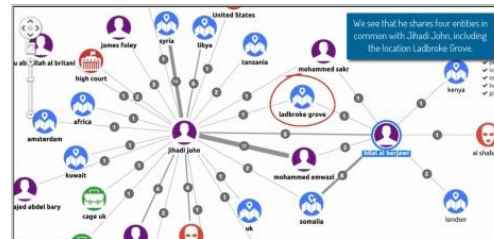
Examples



House-built tools



fu.net

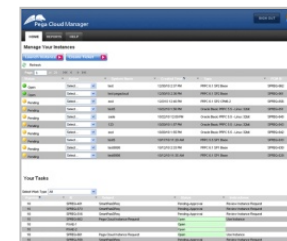


Workflow

Functionality

- Systems allowing optimisation and management of internal workflows
- Certain tools enable information sharing and collaboration between multiple entities

Examples



III.4 Enhance internal capabilities of the FIU

Develop approach to and initiate strategic analyses (e.g. Libyan deposits at Maltese banks)

Deliverables

Priority Level: **Important**

- Create FIAU strategic unit (in charge of analysing longer-term trends and issues)
- Select and conduct strategic analyses (e.g. identification of suspicious cash-intensive businesses, Libyan bank accounts)

Key actions

- Define a high level process / policy
 - Agree on overall remit and responsibilities
 - Draft processes and procedures
- Define general strategy
 - Agree on scope of strategic analysis
 - Activity scope: e.g. identification of evolving criminal patterns in specific sub-groups/sub-sectors vs broader trends of criminal activity
 - Geographic scope: e.g. regional vs. national vs. supranational
 - Agree on plan for the next year
- Hire and train staff

Implementation timeline

- Q4 2018-Q1 2019: Define a high level process / policy
- Q2 2019: Agree on scope of strategic analysis
- Q3 2019: Agree on plan for the next year
- Q3-Q4 2019: Hire and train staff, and operationalise unit

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** Subject persons

Dependencies

- N/A

Deficiencies addressed

- Inadequate strategic capabilities within FIAU

Link to FATF

- Recommendation 29
- IO 6

III.5 Enhance internal capabilities of the FIU

Require & train all government entity employees to file STRs or contact FIAU (e.g. through MoU) in case of suspicious activity

Deliverables

Priority Level: **Important**

- Make government entities subject persons or establish MoU with FIAU to file STRs

Key actions

- Identify entities and agree on reporting requirements
 - Identify list of government agencies with potential touch points across AML/CFT value chain (e.g. Identity Malta, CfR)
 - Assess entities' current setup and agree on reporting requirements
 - Subject person status vs MoU to file STRs
 - Fully built-out legal requirement vs targeted approach)
- Establish information sharing approach (e.g. FIAU access to relevant data)
- Set out implementation plan
- Implement changes
 - Update/introduce processes and procedures
 - Draft MoUs
 - Raise awareness and conduct training with identified entities & employees
 - Amend legislation (if required)

Implementation timeline

- Q2 2018: Identify entities and agree on reporting requirements
- Q3 2018: Establish information sharing approach
- Q2 2019: Set out implementation plan
- Q3 2019-Q4 2020: Implement changes

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** Relevant government agencies

Dependencies

- N/A

Deficiencies addressed

- No AML/CFT obligations for some government agencies with relevant touch-points

Link to FATF

- IOs 4, 6

III.6 Enhance internal capabilities of the FIU

Further improve feedback loop with private sector

Deliverables

Priority Level: **Less urgent**

- Provide more information and/or statistics on outcome of STRs (e.g. investigations, prosecutions, etc.)
- Write and present case studies (e.g. examples meriting / not meriting STR submissions)
- Establish mechanism to inform subject persons on action taken with regards to submitted STRs (e.g. police investigation ongoing, prosecution initiated, etc.)
- Collaborate with expert working group in public-private partnership to further strengthen feedback loop

Key actions

- Agree on list of changes (see above) and set out schedule for feedback sessions
- Hold sessions with subject persons
 - Sector conferences, presenting case studies specific to relevant sectors
 - One-on-one sessions to provide more tailored feedback to individual institutions, e.g. on quality/quantity of STRs submitted

Implementation timeline

- Q3 2019: Agree on list of changes and set out schedule for feedback sessions
- Thereafter: Hold sessions with subject persons

Owners and key stakeholders

- **Owner:** FIAU
- **Key stakeholders:** Subject persons, industry associations

Dependencies

- Recommendation I.9

Deficiencies addressed

- Feedback provided to subject persons is limited and in certain cases delayed

Link to FATF

- IO 4

III.7 Enhance internal capabilities of the FIU

Increase coordination between FIAU and CfR (e.g. to compare income data with activity)

Deliverables

Priority Level: **Less urgent**

- Establish cooperation process between FIAU and CfR to extract insightful information from income data
- Carry out thematic reviews (e.g. ML for tax evasion as predicate offense)

Key actions

- Identify legal changes required (if necessary)
- Agree on reporting requirements (see recommendation III.5) and target model
 - Set out options for collaboration and assess pros and cons
 - Agree on target model based on assessment of option
- Set out implementation plan
 - Agree on high-level timelines and split of responsibilities
 - Agree on list of analyses to be carried out
- Document collaboration model
 - Draft/updated policies, processes and procedures
 - Set up governance structure (e.g. joint committees / task force)
 - Formalise agreed information sharing (e.g. via MoU)
- Implement collaboration model
 - Introduce/enhance IT tools & models
 - Carry out analyses and assess results
 - Carry out thematic reviews & draft reports

Implementation timeline

- Q1-Q2 2018: Identify legal changes required (if necessary)
- Q2 2019: Agree on reporting requirements and target model
- Q3 2019: Set out implementation plan
- Q4 2019: Document collaboration model
- Q1 2020: Introduce IT tools & models
- Q2 2020: Commence carrying out analyses and thematic reviews

Owners and key stakeholders

- **Owners:** FIAU, CfR

Dependencies

- Recommendation III.5

Deficiencies addressed

- No collaboration between FIAU and CfR on tax evasion & income data analysis

Link to FATF

- IO 4

Workblock IV

Enhance investigation and
prosecution organisation

Workblock IV: Enhance investigation and prosecution organisation

Summary of strategic actions

| Recommendation | Priority level | Owners |
|---|----------------|----------------------|
| 1 Review organisation and increase ECU capacity and skills <ul style="list-style-type: none"> Review organisation (e.g. MLU-specific unit) Implement staff development strategy with increase and training of staff Increase ECU budget for external experts Improve management and effectiveness of tools (e.g. link i2 to other databases, hire “data operators” to manage database) | Critical | • Police |
| 2 Separate investigatory and prosecutorial functions | Critical | • Police • AGO |
| 3 Improve effectiveness of investigation and prosecution <ul style="list-style-type: none"> Simplify legal process so that ML/TF cases systematically go to specialised magistrates/judges Identify and train specialised magistrates / judges on financial and economic crime Formalise and increase use of experts (e.g. forensic accountants) | Critical | • Police • Courts |
| 4 Improve efficiency of investigation and prosecution <ul style="list-style-type: none"> Allow for investigation orders to be delivered electronically Identify opportunities to reduce legal timelines to conclude cases in more time-efficient manner | Important | • Police • AGO |
| 5 Define serious/major crime to help prioritise investigation and prosecution efforts | Important | • AGO |
| 6 Improve collection of statistics on ML/TF crimes investigated, prosecuted and convicted | Important | • Police • Courts |
| 7 Increase focus on investigating and prosecuting tax crimes <ul style="list-style-type: none"> FIAU and Police to focus on identifying professionals enabling tax crime Police and CfR to agree on decision-making between criminal and civil route for tax offences Police to increase number of investigations and criminal prosecutions for tax crimes | Important | • Police • CfR |
| 8 Review AML/CFT controls within Customs Department <ul style="list-style-type: none"> Provide AML/CFT training to Customs staff Review effectiveness of cash declarations Increase involvement of Customs in controls at sea terminals Enhance exchange of information between Customs and FIAU (e.g. as subject person) | Less urgent | • Customs |

Workblock IV: Enhance investigation and prosecution organisation

Preliminary workplan (1/2)

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|--|------|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Enhance investigation & prosecution organisation | | | | | | | | | | | | | |
| IV.1 Review organisation and increase ECU capacity and skills | | | | | | | | | | | | | |
| Review and decide on organisational setup | | | | | | | | | | | | | |
| Update processes & governance of stand-alone MLU | | | | | | | | | | | | | |
| Update IT infrastructure for enhanced information sharing & collaboration | | | | | | | | | | | | | |
| Enhance MLU capacity & train staff | | | | | | | | | | | | | |
| IV.2 Separate investigatory and prosecutorial functions | | | | | | | | | | | | | |
| Decide on location, define target org. model & set out implementation plan | | | | | | | | | | | | | |
| Set up operating models, governance structures and processes | | | | | | | | | | | | | |
| Carry out public education campaigns | | | | | | | | | | | | | |
| IV.3 Improve effectiveness of investigation and prosecution | | | | | | | | | | | | | |
| Carry out independent review, and agree on target prosecutorial path | | | | | | | | | | | | | |
| Carry out specialisation of judges & magistrates | | | | | | | | | | | | | |
| Update judicial processes and procedures to reflect changes | | | | | | | | | | | | | |
| IV.4 Improve efficiency of investigation and prosecution | | | | | | | | | | | | | |
| Identify priority elements and effect legislative change | | | | | | | | | | | | | |
| Identify further opportunities and agree on changes | | | | | | | | | | | | | |
| Update judicial processes and procedures to reflect changes | | | | | | | | | | | | | |

Workblock IV: Enhance investigation and prosecution organisation

Preliminary workplan (2/2)

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|---|--|--------------------------------------|--------------------------------------|----|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Enhance investigation & prosecution organisation | [Orange bar spanning all quarters from 2017 Q4 to 2020 Q2] | | | | | | | | | | | | |
| IV.5 Define serious/major crime to help prioritise investigation and prosecution efforts | | | [Dark blue bar: 2018 Q2 to 2018 Q4] | | | | | | | | | | |
| Review legal framework and define proposed definition | | | [Light blue bar: 2018 Q2 to 2018 Q3] | | | | | | | | | | |
| Pass law with new definition | | | | | [Light blue bar: 2018 Q4] | | | | | | | | |
| IV.6 Improve collection of statistics on ML/TF crimes investigated, prosecuted and convicted | | [Dark blue bar: 2017 Q4 to 2018 Q2] | | | | [Dark blue bar: 2019 Q1 to 2020 Q1] | | | | | | | |
| Prelim. step: Collect relevant statistics for MONEYVAL evaluation | | [Light blue bar: 2017 Q4 to 2018 Q2] | | | | | | | | | | | |
| Agree on data points & set up IT infrastructure | | | | | | [Light blue bar: 2019 Q2 to 2019 Q3] | | | | | | | |
| Update policies, agree on reports to be drafted and start collecting data | | | | | | | | | [Light blue bar: 2019 Q4 to 2020 Q1] | | | | |
| IV.7 Increase focus on investigating and prosecuting tax crimes | | [Dark blue bar: 2017 Q4 to 2019 Q2] | | | | | | | | | | | |
| Agree on target setup & procedures and set out implementation plan | | [Light blue bar: 2017 Q4] | | | | | | | | | | | |
| Review & strengthen CfR AML/CFT controls & processes | | | [Light blue bar: 2018 Q2 to 2018 Q4] | | | | | | | | | | |
| Set up governance and processes for FIAU/CfR cooperation on data | | | | | | [Light blue bar: 2019 Q1 to 2019 Q4] | | | | | | | |
| IV.8 Review AML/CFT controls within Customs Department | | | | | | [Dark blue bar: 2019 Q2 to 2020 Q2] | | | | | | | |
| Provide AML/CFT training to Customs staff | | | | | | [Light blue bar: 2019 Q2 to 2019 Q3] | | | | | | | |
| Review effectiveness of cash declarations | | | | | | [Light blue bar: 2019 Q2 to 2019 Q4] | | | | | | | |
| Increase involvement of Customs in controls at sea terminals | | | | | | | [Light blue bar: 2019 Q3 to 2020 Q1] | | | | | | |
| Enhance information exchange with the FIAU | | | | | | | | [Light blue bar: 2019 Q4 to 2020 Q2] | | | | | |

IV.1 Enhance investigation and prosecution organisation Review organisation and increase ECU capacity and skills

Deliverables

Priority Level: **Critical**

- Review organisation (e.g. MLU-specific unit)
- Implement staff development strategy with increase and training of staff
- Increase ECU budget for external experts
- Improve management and effectiveness of tools (e.g. link i2 to other databases, hire “data operators” to manage database)

Key actions

- Enhance organisational setup (set up ML-specific unit)
 - Review current organisational set-up (completed)
 - Decide on target organisational set-up (completed)
 - Implement changes to organisational set-up (ongoing)
 - Update internal processes, procedures, and governance
- Implement staff development strategy
 - Hire additional staff into ML unit (ongoing)
 - Train staff to increase specialisation in money laundering
 - Hire data operator/s to manage database
 - Train staff to access and use data sources
- Review budget for external experts (for specialised cases)
- Improve management and effectiveness of IT tools
 - Link Police i2 instance with other database (e.g. FIAU, CfR)
 - Agree on additional data link-ups and information exchanges to be automated

Implementation timeline

- Q4 2017: Review and decide on organisational setup (completed)
- Q1 2018: Request budget for additional staff & database enhancements
- Q1 2018: Update processes and governance for stand-alone ML unit
- Q2-Q3 2018: Train staff on ML topics
- Q2-Q4 2018: Update IT infrastructure for enhanced information sharing & database link-ups
- Q2 2018-Q1 2019: Enhance MLU capacity
- Q1 2019: Hire data operator/s
- Q2 2019: Train staff to access and use data sources

Owners and key stakeholders

- **Owner:** Police ECU
- **Key stakeholders:** MfHA, FIAU, CfR

Dependencies

- Recommendation IV.2

Deficiencies addressed

- Limited specialisation and training, especially for investigation/prosecution
- Lack of resources in investigation and prosecution

Link to FATF

- Recommendation 30
- IOs 7, 9, 10, 11

IV.2 Enhance investigation and prosecution organisation

Separate investigatory and prosecutorial functions

Deliverables

Priority Level: **Critical**

- Separate investigatory and prosecutorial functions

Key actions

- Assess options, decide on location and define target organisational model
 - Identify options (e.g. within Police, AGO)
 - Assess each option based on effectiveness and efficiency impact (e.g. changes in organisation, staff, legal implications)
 - Decide on option
- Define implementation plan
 - Conduct detailed legal review of the implications of the target operating model
 - Define plan to change organisation, transfer staff, etc.
- Amend legislation (if required)
- Set up operating models, governance structures and processes
 - Agree on op. model and division of roles between Police and AGO office
 - Draft ToRs and MoUs, and set up joint cooperation committees
 - Draft/update policies and procedures
- Establish prosecutorial capacity within AGO office
 - Hire prosecutors and support staff
 - Train staff

Implementation timeline

Timing dependent on broader government initiatives

Owners and key stakeholders

- **Owner:** Police, AGO
- **Key stakeholders:** MfJ, FIAU

Dependencies

- Recommendation IV.1

Deficiencies addressed

- Lack of resources and capabilities across investigation and prosecution
- Low number of Police investigations and prosecutions, and convictions

Link to FATF

- Recommendations 30, 31
- IO 7

IV.3 Enhance investigation and prosecution organisation Improve effectiveness of investigation and prosecution

Deliverables

Priority Level: **Critical**

- Simplify legal process so that ML/TF cases systematically go to specialised magistrates/judges
- Identify and train specialised magistrates/judges on financial and economic crime
- Formalise and increase use of experts (e.g. forensic accountants)

Key actions

Implementation timeline

- | | |
|--|---|
| <ul style="list-style-type: none"> • Carry out independent review of current legal process, and agree on target prosecutorial path for ML crimes, i.e. type/severity of case going in front of judge vs magistrate • Amend legislation (if required) <ul style="list-style-type: none"> – Draft law with changes to existing legal provisions – Socialize draft law with relevant stakeholders (e.g. key policy-makers) – Initiate parliamentary approval process • Carry out specialisation of judges and magistrates <ul style="list-style-type: none"> – Identify relevant courses and materials – Identify number and names of judges & magistrates to be specialised – Design and set out specialisation plan – Engage legal experts to train judges and magistrates • Set out process and plan for enhanced use/availability of experts in court cases <ul style="list-style-type: none"> – Identify required expertise – Source experts (local & foreign) – Set out strategy to increase supply of experts (e.g. local initiatives with universities) • Update judicial processes and procedures to reflect changes | <ul style="list-style-type: none"> • Q1-Q2 2018: Carry out independent review of current legal process, and agree on target prosecutorial path for ML crimes • Q3 2018: Amend legislation (if required) • Q3 2018-Q1 2019: Carry out specialisation of judges and magistrates • Q4 2018: Set out plan for enhanced use/availability of experts in court cases • Q1 2019: Update judicial processes and procedures to reflect changes |
|--|---|

Owners and key stakeholders

Dependencies

- **Owner:** Police, Courts
- **Key stakeholders:** AGO

- Recommendation IV.2

Deficiencies addressed

Link to FATF

- Low number of investigations, prosecutions, and convictions

- Recommendations 30, 31
- IOs 7,9

IV.4 Enhance investigation and prosecution organisation

Improve efficiency of investigation and prosecution

Deliverables

Priority Level: **Important**

Enhanced efficiency of investigation and prosecution procedures – for instance:

- Allow for investigation orders to be delivered electronically
- Identify opportunities to reduce legal timelines to conclude cases in more time-efficient manner

Key actions

- Identify priority elements and effect legislative changes (*completed*)
- Identify further opportunities for increased efficiency and assess impact
 - Benefits and efficiency improvements
 - Costs and risks
- Agree on list of changes/initiatives to increase efficiency of investigation and prosecution
- Amend legislation (if required)
 - Draft law with changes to existing legal provisions
 - Socialize draft law with relevant stakeholders (e.g. key policy-makers)
 - Initiate parliamentary approval process
- Update judicial processes and procedures to reflect changes

Implementation timeline

- Q4 2017: Identify priority elements and effect legislative changes (*completed*)
- Q1-Q2 2018: Identify further opportunities and assess impact
- Q3 2018: Agree on changes/initiatives to increase efficiency of investigation & prosecution
- Q4 2018: Amend legislation (if required)
- Q1 2019: Set out plan for enhanced use/availability of experts in court cases
- Q4 2018-Q2 2019: Update judicial processes and procedures to reflect changes

Owners and key stakeholders

- **Owner:** Police, AGO
- **Key stakeholders:** FIAU, MfHA, MfJ

Dependencies

- Recommendation IV.2
- Recommendation IV.3

Deficiencies addressed

- Inefficiencies in investigative and prosecutorial processes

Link to FATF

- Recommendation 31
- IOs 7, 9

IV.5 Enhance investigation and prosecution organisation

Define serious/major crime to help prioritise investigation and prosecution efforts

Deliverables

Priority Level: **Important**

- Effective definition for the prioritisation of ML crimes to be investigated and prosecuted

Key actions

- Conduct legal review of the limitations of the current legal framework
- Propose options of new definitions (with assessments of benefits and costs of each option)
- Decide on best option
- Draft and pass law

Implementation timeline

- Q2 2018: Review of legal framework
- Q3 2018: Define proposed definition
- Q4 2018: Pass law with new definition

Owners and key stakeholders

- **Owner:** AGO
- **Key stakeholders:** Courts, Police, MfJ

Dependencies

- N/A

Deficiencies addressed

- The lack of a clear definition of serious / major crimes prevents law enforcement from prioritising ML investigations and prosecutions, thus spending significant time on low value ML (vs. more complex, high value cases)

Link to FATF

- IO 7

IV.6 Enhance investigation and prosecution organisation

Improve collection of statistics on ML/TF crimes investigated, prosecuted and convicted

Deliverables

Priority Level: **Important**

- Set up process to collect statistics on ML/TF crimes investigated, prosecuted, and convicted
- Agree on information sharing and data dissemination practices

Key actions

- Prelim. step: Collect relevant statistics for MONEYVAL evaluation
- Identify further data points to be collected for reporting purposes (e.g. reporting within competent authorities and to the national committee, for FATF submissions)
- Prepare data gathering activity
 - Set up IT infrastructure
 - Train/allocate member of staff to maintain/update database
 - Update policies and procedures (if required)
 - Agree on reports to be drafted
- Agree on information sharing & data dissemination activities
 - Align on list of competent authorities to receive information
 - Set up distribution lists
- Launch data gathering activity
 - Backfill data from previous cases
 - Start gathering statistics & draft reports

Implementation timeline

- Q1-Q2 2018: Collect relevant statistics for MONEYVAL evaluation
- Q2 2019: Agree on further data points to be collected
- Q3 2019: Set up IT infrastructure
- Q3 2019: Allocate and train member of staff to maintain/update database
- Q4 2019: Update policies and procedures
- Q4 2019: Agree on reports to be drafted
- Q4 2019: Agree on list of authorities to receive statistics and set up distribution lists
- Q1 2020: Launch data gathering activity

Owners and key stakeholders

- **Owner:** Police, Courts
- **Key stakeholders:** FIAU

Dependencies

- N/A

Deficiencies addressed

- Limited data and statistics available on ML/TF crimes investigated, prosecuted and convicted

Link to FATF

- Recommendation 33
- IOs 7, 9

IV.7 Enhance investigation and prosecution organisation Increase focus on investigating and prosecuting tax crimes

Deliverables

Priority Level: **Important**

- FIAU and Police to focus on identifying professionals enabling tax crime
- Police and CfR to agree on decision-making between criminal and civil route for tax offences
- Police to increase number of investigations and criminal prosecutions for tax crimes

Key actions

- Define coordination approach and procedures
 - Review options for enhanced collaboration & assess impact/potential challenges
 - Set out list of required changes to improve enforcement on tax crimes
- Set out implementation plan and allocate resources to oversee changes
- Amend legislation (if required)
- Establish controls, information exchange & coordination procedures
 - Review & strengthen CfR AML/CFT controls & processes
 - Agree on and implement enhanced IT infrastructure & processes within FIAU for effective and efficient CfR data analysis
 - Train staff for tax data analysis
 - Set up governance and processes for FIAU/CfR cooperation on data analysis

Implementation timeline

- Q1 2018: Define coordination approach and procedures
- Q1 2018: Set out implementation plan and allocate resources to oversee changes
- Q2-Q3 2018: Amend legislation (if required)
- Q3-Q4 2018: Review & strengthen CfR AML/CFT controls & processes
- Q3-Q4 2018: Enhance FIAU IT infrastructure
- Q1 2019: Train staff
- Q1 2019 – Q3 2019: Set up governance and processes for FIAU/CfR cooperation on data analysis

Owners and key stakeholders

- **Owner:** Police, CfR
- **Key stakeholders:** FIAU

Dependencies

- N/A

Deficiencies addressed

- Limited criminal investigations and prosecution of ML related to tax crimes
- Inadequate FIAU analytical tools and access to databases

Link to FATF

- Recommendation 31
- IO 7

IV.8 Enhance investigation and prosecution organisation Review AML/CFT controls within Customs Department

Deliverables

Priority Level: **Less urgent**

- Provide AML/CFT training to Customs staff
- Review effectiveness of cash declarations
- Increase involvement of Customs in controls at sea terminals (e.g. for catamarans)
- Enhance exchange of information between Customs and FIAU (e.g. as subject person)

Key actions

- Provide AML/CFT training to Customs staff
 - Identify opportunities and topics
 - Structure training materials & required participants
 - Schedule and hold training sessions
- Review effectiveness of cash declarations
 - Plan and schedule effectiveness review with FIAU
 - Identify potential remedial actions
 - Implement required changes
- Increase involvement of Customs in controls at sea terminals
 - Assess capacity requirements
 - Set out plan & implement changes (e.g. hiring & training)
 - Issue internal communications on changes
- Enhance information exchange with FIAU
 - Agree on target model & required changes
 - Update internal systems, policies & procedures

Implementation timeline

- Q2-Q3 2019: Provide AML/CFT training to Customs staff
- Q2-Q4 2019: Review effectiveness of cash declarations
- Q3 2019-Q2 2020: Increase involvement of Customs in controls at sea terminals
- Q4 2019-Q2 2020: Enhance information exchange with FIAU

Owners and key stakeholders

- **Owners:** Customs Department
- **Key stakeholders:** FIAU, MfJ, MfHA

Dependencies

- N/A

Deficiencies addressed

- Limited Customs-related checks, verifications and investigations
- Limited cooperation between FIAU and Customs Department on ML/TF

Link to FATF

- Recommendation 31
- IOs 7, 9

Workblock V

Establish an effective asset
recovery unit

Workblock V: Establish an effective asset recovery unit

Summary

| Recommendation | Priority level | Owners |
|---|----------------|--------|
| <p>1 Establish Asset Recovery Bureau (ARB)</p> <ul style="list-style-type: none">• Establish the ARB (pass law and create legal entity)• Define ARB organisational and operating model• Operationalise ARB (e.g. hire staff, implement tools)• Develop mechanisms for domestic coordination (e.g. FIAU, Police) and international cooperation (e.g. with foreign AROs) | Critical | • ARB |
| <p>2 Enhance ARB (once established)</p> <ul style="list-style-type: none">• Assessment of effectiveness of ARB in its first year• Definition of improvement plan• Implementation of development plan | Important | • ARB |

Workblock V: Establish an effective asset recovery unit

Preliminary workplan

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|--|---|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Establish an effective asset recovery unit | [Solid orange bar spanning all quarters from 2017 Q4 to 2020 Q4] | | | | | | | | | | | | |
| V.1 Establish Asset Recovery Bureau (ARB) | [Solid blue bar from 2017 Q4 to 2018 Q3, dashed blue bar from 2018 Q4 to 2019 Q1] | | | | | | | | | | | | |
| Establish the ARB (pass law and create legal entity) | [Solid light blue bar from 2017 Q4 to 2018 Q1] | | | | | | | | | | | | |
| Define ARB organisational and operating model | [Solid light blue bar from 2017 Q4 to 2018 Q2] | | | | | | | | | | | | |
| Operationalise ARB (e.g. hire staff, implement tools) | [Solid light blue bar from 2018 Q1 to 2018 Q3, dashed light blue bar from 2018 Q4 to 2019 Q1] | | | | | | | | | | | | |
| Develop mechanisms for domestic coordination and international cooperation | [Solid light blue bar from 2018 Q2 to 2018 Q3, dashed light blue bar from 2018 Q4 to 2019 Q1] | | | | | | | | | | | | |
| V.2 Enhance effectiveness of ARB | [Solid blue bar from 2019 Q2 to 2020 Q4] | | | | | | | | | | | | |
| Assessment of effectiveness of ARB in its first year | [Solid light blue bar from 2019 Q2 to 2019 Q3] | | | | | | | | | | | | |
| Definition of improvement plan | [Solid light blue bar from 2019 Q3 to 2019 Q4] | | | | | | | | | | | | |
| Implementation of development plan | [Solid light blue bar from 2019 Q4 to 2020 Q4] | | | | | | | | | | | | |

V.1 Establish an effective asset recovery unit

Establish Asset Recovery Bureau

Deliverables

Priority Level: **Critical**

Establish an operational and effective Asset Recovery Bureau

Key actions

- Establish Asset Recovery Bureau (ARB)
 - Draft and pass ARB law (*completed*)
 - Hire Chairman and Director (*completed*)
 - Create legal entity
 - Define and validate high level implementation plan
- Define ARB organisational and operating model
 - Identify and review types of AROs (e.g. visits of foreign AROs)
 - Decide on ARB operating model and adjust implementation plan
- Operationalise ARB (e.g. hire staff, implement tools)
 - Define organisational structure and roles & responsibilities
 - Institutional absorption of Asset Management Unit into ARB
 - Hire and train staff
 - Select and set up asset tracing tools (e.g. IT tools and access to databases)
 - Draft policies and procedures
- Develop cooperation mechanisms (e.g. MOUs, exchange of information systems)
 - Domestic coordination (e.g. FIAU, Police)
 - International cooperation (e.g. with foreign AROs)
- Review existing legal notice and assess need for adjustments and legislative process

Implementation timeline

- Q4 2017: Establish ARB (*completed*)
- Q4 2017-Q1 2018: Define ARB organisational and operating model
- Q1 2018: Finalise implementation plan
- Q1-Q2 2018: Operationalise ARB
- Q2-Q4 2018 : Develop cooperation mechanisms
- Q2 2018: Review existing legal notice and assess need for adjustments and legislative process
- Q3-Q4 2018: Continue establishment of ARB (e.g. additional staff, implementation of IT tools)

Owners and key stakeholders

- **Owner:** ARB
- **Key stakeholders:** AGO, Police, FIAU, MfJ, Courts

Dependencies

- N/A

Deficiencies addressed








Lack of ARO dedicated to freezing, seizing and confiscation of illegally acquired assets

Link to FATF

- Recommendations 4, 30, 33, 36 & 38
- IO 8

V.1 Establish Asset Recovery Bureau (1/2)




AROs – Overview

| ARB type | Description | Pros & cons | Examples |
|-----------------------|---|--|---|
| Investigative | <ul style="list-style-type: none"> Part of Law Enforcement (e.g. reporting into Police Commissioner) Involved in investigation of proceeds Tackling unenforced confiscation orders | <ul style="list-style-type: none"> + Provides optimal framework to trace assets effectively + Ability to intervene early in the process - Requires specialised investigative resources | <ul style="list-style-type: none"> Ireland: CAB (Central Assets Bureau)  UK: ACE (Asset Confiscation Enforcement)  Poland: ARD (Asset Recovery Department)  |
| Prosecutorial | <ul style="list-style-type: none"> Part of Public Prosecution (e.g. reporting into AGO) Involved in prosecution of material cases | <ul style="list-style-type: none"> + Full visibility throughout, and proximity to entire process + Effective setup to freeze assets - Requires specialised legal resources | <ul style="list-style-type: none"> Netherlands: BOOM (Criminal Assets Deprivation Bureau)  |
| Judicial | <ul style="list-style-type: none"> Part of Courts (e.g. reporting into Chief Justice) Involved in management of seized assets | <ul style="list-style-type: none"> + Close coordination during judicial procedures - Late entry point/involvement in process (i.e. no tracing/freezing) - "Too admin, wrong type of skills" | |
| Administrative | <ul style="list-style-type: none"> Part of a ministry (e.g. reporting into MfJ) Specialised in administration of complex assets | <ul style="list-style-type: none"> + Effective framework for specialisation in asset admin. + Flexible model - Lack of proximity to investigative & prosecutorial process | <ul style="list-style-type: none"> France: AGORASC (Agency for the Recovery and Management of Seized and Confiscated Assets)  Sweden: SECA (Economic Crime Authority)  Germany: BfJ (Ministry of Justice)¹  |

1. The German Ministry of Justice coordinates asset recovery in cooperation with the German Federal Crime office and the German FIU.

V.1 Establish Asset Recovery Bureau (2/2)

AROs – Case studies

| | ARB type | Responsibilities | Reporting line | No. of staff (2016) | Confiscations (2016) |
|---|---|---|------------------------------------|---|----------------------|
| CAB <i>(Central Assets Bureau)</i>  <i>Established in 1996</i> | Investigative <ul style="list-style-type: none"> Involved in law enforcement activities on investigating proceeds | <ul style="list-style-type: none"> Identifying & investigating proceeds of criminal conduct Freezing, preserving & confiscating assets Ensuring proceeds are subject to tax Investigating claims under Social Welfare Acts | Reporting into Police Commissioner | 71 (37 Police officers, 16 PM office staff, 12 tax authority staff, 6 Employment & Social Protection Ministry staff) | EUR 4 m |
| BOOM <i>(Criminal Assets Deprivation Bureau)</i>  <i>Established in 1994</i> | Prosecutorial <ul style="list-style-type: none"> Involved in prosecuting most material cases | <ul style="list-style-type: none"> Prosecuting most important deprivation cases Tracing & seizing assets Managing seized capital assets Support function (knowledge centre, international contact point) | Part of Public Prosecution Office | 75¹ (public prosecutors, forensic accountants, civil and international advisors, asset tracers) | EUR 417 m |
| AGORASC <i>(Agency for the Recovery and Management of Seized and Confiscated Assets)</i>  <i>Established in 2010</i> | Administrative <ul style="list-style-type: none"> Specialised in administration of complex assets | <ul style="list-style-type: none"> Assisting, advising and guiding magistrates on seizures and confiscations Centrally managing seized assets, incl. conservation, valorisation and administration of complex assets Alienating and disposing of assets Publishing reports on seized assets | Part of Ministry of Justice | 31 (spread across several divisions: Recording and Supervising division, Public procurement, Legal, Operations, Management unit, Finance, Real property management, HR) | EUR 471 m |

Sources: AGORASC, Garda Síochána, Le Figaro, Ministry of Justice of the Republic of France, Netherlands Public Prosecutor annual report 2016
 1. As per 2012 (latest figure available publicly)

V.2 Establish an effective asset recovery unit Enhance effectiveness of ARB

Deliverables

Priority Level: **Important**

Enhance effectiveness of ARB (once it has been established)

Key actions

- Assessment of effectiveness of ARB in its first year
 - Collection of statistics (e.g. number and value of seizures and confiscations, timeliness of action)
 - Articulate assessment in a report
- Definition of development plan
 - Identification of areas of improvement
 - Define plan to address deficiencies identified
- Implementation of development plan
 - Share outcome of assessment and development plan with relevant stakeholders
 - Request budget required
 - Implement development plan

Implementation timeline

- Q3 2019: Assessment of effectiveness of ARB in its first year
- Q4 2019: Definition of improvement plan
- Q1 2020-Q2 2020: Implementation of development plan

Owners and key stakeholders

- **Owner:** ARB
- **Key stakeholders:** AGO, Police, FIAU, MfJ, Courts

Dependencies

- V.1

Deficiencies addressed

Lack of ARO dedicated to freezing, seizing and confiscation of illegally acquired assets

Link to FATF

- Recommendations 4, 30, 33, 36 & 38
- IO 8

Workblock VI

Increase transparency of legal entities and arrangements

Workblock VI: Enhance transparency of legal entities and arrangements

Summary

| Recommendation | Priority level | Owners |
|---|----------------|---|
| <p>1 Amend existing register of companies (ROC) to include BO information for legal entities</p> <ul style="list-style-type: none"> • Pass legislative amendments (<i>completed</i>) • Implement requirement for all new companies (<i>completed</i>) • Design backfilling process and plan transition period | Critical | <ul style="list-style-type: none"> • ROC • MFSA |
| <p>2 Create a BO database of legal arrangements</p> | Critical | <ul style="list-style-type: none"> • ROC • MFSA |
| <p>3 Establish a process to ensure BO database is accurate and up to date</p> <ul style="list-style-type: none"> • Increase penalties for non-compliance • Design controls to ensure accuracy | Critical | <ul style="list-style-type: none"> • ROC • MFSA |
| <p>4 Strengthen transparency and supervision of voluntary organisations</p> <ul style="list-style-type: none"> • Amend legislation (e.g. ensure operational independence, enhance powers) • Enhance capacity of Commissioner of Voluntary Organisations • Enhance database on voluntary organisations to be comprehensive and include complete data • Raise awareness of voluntary organisations on AML/CFT (e.g. training & guidance) | Important | <ul style="list-style-type: none"> • CVO |
| <p>5 Enhance effectiveness and functionality of Land Registry</p> <ul style="list-style-type: none"> • Expand registry's scope, content and analytical capabilities • Review and update ownership data | Important | <ul style="list-style-type: none"> • Land Registry |

Workblock VI: Increase transparency of legal entities and arrangements

Preliminary workplan

| | 2017 | 2018 | | | | 2019 | | | | 2020 | | | |
|---|------|------|----|----|----|------|----|----|----|------|----|----|----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Increase transparency of legal entities and arrangements | | | | | | | | | | | | | |
| VI.1 Amend existing register of companies (ROC) to include BO information for legal entities | | | | | | | | | | | | | |
| Assess setup options and amend legislation | | | | | | | | | | | | | |
| Enhance IT systems & databases, and agree on info sharing & access rights | | | | | | | | | | | | | |
| Issue communications to legal entities | | | | | | | | | | | | | |
| Fill database with beneficial ownership content | | | | | | | | | | | | | |
| VI.2 Create a BO database of legal arrangements | | | | | | | | | | | | | |
| Assess setup options & set out implementation plan | | | | | | | | | | | | | |
| Amend legislation (if required) | | | | | | | | | | | | | |
| Enhance IT systems & databases, and agree on info sharing & access rights | | | | | | | | | | | | | |
| Issue communications & build out database content | | | | | | | | | | | | | |
| VI.3 Establish a process to ensure BO database is accurate and up to date | | | | | | | | | | | | | |
| Align on enforcement measures and checks to verify BO information | | | | | | | | | | | | | |
| Discuss potential mechanisms with other jurisdictions | | | | | | | | | | | | | |
| Carry out consultation phase | | | | | | | | | | | | | |
| Amend legislation (if required) | | | | | | | | | | | | | |
| Formalise measures and processes | | | | | | | | | | | | | |
| VI.4 Strengthen transparency and supervision of voluntary organisations | | | | | | | | | | | | | |
| Finalise list of legislative amendments | | | | | | | | | | | | | |
| Enhance staff capacity | | | | | | | | | | | | | |
| Establish VO database | | | | | | | | | | | | | |
| Enhance guidance and outreach to VOs | | | | | | | | | | | | | |
| VI.5 Enhance effectiveness and functionality of Land Registry | | | | | | | | | | | | | |
| Agree on required changes and set out implementation plan | | | | | | | | | | | | | |
| Enhance Land Registry functionality & include BO information | | | | | | | | | | | | | |
| Set out data dissemination and information sharing practices | | | | | | | | | | | | | |

VI.1 Enhance transparency of legal entities and arrangements

Amend existing register of companies (ROC) to include BO information for legal entities

Deliverables

Priority Level: **Critical**

- Pass legislative amendments
- Implement requirement for all new companies or notifications
- Design backfilling process and plan transition period

Key actions

- Assess setup options and set out implementation plan (*completed*)
- Amend legislation (*completed*)
- Establish processes and procedures for effective data management and information sharing
 - Enhance existing systems and databases to allow for new data to be incorporated
 - Agree on information sharing and access rights (e.g. grant FIAU access to database)
- Issue communications to legal entities about changes and implications
- Fill database
 - Consolidate BO information from existing sources
 - Receive BO information from legal arrangements

Implementation timeline

- Q4 2017: Assess setup options & set out implementation plan (*completed*)
- Q4 2017: Amend legislation (*completed*)
- Q1-Q2 2018: Enhance systems and databases
- Q2-Q3 2018: Agree on information sharing and access rights
- Q3 2018: Issue communication to legal entities
- Q3-Q2 2019: Fill database

Owners and key stakeholders

- **Owner:** ROC, MFSA
- **Key stakeholders:** FIAU, legal entities

Dependencies

- N/A

Deficiencies addressed

- No registry of beneficial ownership information in place

Link to FATF

- Recommendations 24, 25
- IO 6

VI.2 Enhance transparency of legal entities and arrangements

Create a beneficial ownership database of legal arrangements

Deliverables

Priority Level: **Critical**

- Create a beneficial ownership database of legal arrangements
- Establish processes and procedures for effective data management and information sharing

Key actions

- Assess setup options and set out implementation plan
 - Review options for data incorporation (within existing database or new one)
 - Assess benefits, risks and costs and setup options
 - Decide on target setup and align on implementation plan
- Amend legislation (if required)
- Establish processes and procedures for effective data management and information sharing
 - Enhance existing systems to allow for new data to be incorporated
 - Agree on information sharing and access rights (e.g. grant FIAU access)
- Issue communications to legal arrangements about changes and implications
- Fill database
 - Consolidate BO information from existing sources
 - Receive BO information from legal arrangements

Implementation timeline

- Q1 2019: Assess setup options & set out implementation plan
- Q2 2019: Amend legislation (if required)
- Q2-Q4 2019: Enhance systems and databases
- Q3 2019: Agree on information sharing and access rights
- Q1 2020: Issue communication to legal arrangements
- Q2-Q4 2020: Fill database

Owners and key stakeholders

- **Owner:** ROC, MFSA
- **Key stakeholders:** FIAU, legal arrangements

Dependencies

- N/A

Deficiencies addressed

- No registry of beneficial ownership information in place

Link to FATF

- Recommendations 24, 25
- IOs 6, 10

VI.3 Enhance transparency of legal entities and arrangements

Establish a process to ensure beneficial ownership database is accurate and up to date

Deliverables

Priority Level: **Critical**

- Design controls to ensure accuracy of information
- Increase penalties for non-compliance
- Consider establishing BO database as “single source of truth” with legal status

Key actions

- Align on enforcement measures for non-compliance
 - Agree on penalty rates & types for late submission / provision of incoherent information
 - Draft policy
- Define checks to verify beneficial ownership (BO) information
 - Discuss potential mechanisms with other jurisdictions
 - Define approach to ensure BO information is accurate and up-to-date (e.g. regular requests for proof, onsite visits, etc.)
 - Carry out consultation phase to invite feedback
- Amend legislation (if required)
- Implement changes
 - Draft and formalise processes & procedures, and enforcement measures
 - Hire and train staff

Implementation timeline

- Q2 2019: Align on enforcement measures and checks to verify BO information
- Q2 2019: Discuss potential mechanisms with other jurisdictions
- Q3 2019: Carry out consultation phase
- Q4 2019: Amend legislation (if required)
- Q1 2020: Finalise and formalise measures and processes

Owners and key stakeholders

- **Owner:** ROC, MFSA
- **Key stakeholders:** FIAU, legal entities, legal arrangements

Dependencies

- Recommendation VI.1
- Recommendation VI.2

Deficiencies addressed

- No registry of beneficial ownership information in place

Link to FATF

- IO 6

VI.4 Enhance transparency of legal entities and arrangements

Strengthen transparency and supervision of voluntary organisations

Deliverables

Priority Level: **Important**

- Amend legislation (e.g. ensure operational independence, enhance powers)
- Enhance capacity of Commissioner of Voluntary Organisations
- Enhance database on voluntary organisations to be comprehensive and include complete data
- Raise awareness of voluntary organisations on AML/CFT (e.g. training & guidance)

Key actions

- Finalise legislative amendments and pass law
 - Finalise list of amendments required: Grant CVO independent budget and discretion over staff enhancements, make enrolment mandatory for VOs, grant legal status and stronger enforcement rights, add provision on ML/TF
 - Pass law
- Increase staff number and training
 - Carry out capacity planning exercise to determine demand
 - Hire and train staff
- Establish an effective database on VOs
 - Agree on content and functionality (e.g. allow for online enrolment)
 - Liaise with VOs and Council for VOs to gather data
 - Agree on dissemination policy and formalise (e.g. make available publicly)
- Enhance guidance and outreach to VOs (e.g. via conferences & training sessions)

Implementation timeline

- Q4 2017-Q1 2018: Finalise list of legislative amendments & pass law
- Q2-Q3 2018: Enhance staff capacity
- Q3 2018-Q2 2019: Establish VO database
- Q2 2018-Q1 2019: Enhance guidance and outreach to VOs

Owners and key stakeholders

- **Owner:** CVO
- **Key stakeholders:** Ministry for Education & Employment

Dependencies

- N/A

Deficiencies addressed

- Limited oversight over voluntary organisation

Link to FATF

- Recommendation 8
- IOs 6, 10

VI.5 Enhance transparency of legal entities and arrangements

Enhance effectiveness and functionality of Land Registry

Deliverables

Priority Level: **Important**

- Expand registry's scope, content and analytical capabilities
- Review and update ownership data

Key actions

- Agree on required changes and set out implementation plan
 - Carry out assessment of missing areas
 - Define and assess characteristics of missing areas (e.g. size)
 - Agree on functionalities to be added (e.g. analytical & search capabilities)
 - Assess required IT changes to include beneficial ownership information
 - Set out implementation plan
- Effect required changes
 - Allocate unique identification to each area & add to registry
 - Review and update ownership data/characteristics of already covered areas
 - Implement IT changes related to enhanced analytical functionalities
 - Gather BO information & add to registry
- Set out data dissemination and information sharing practices
 - Agree on list of competent authorities to receive access
 - Cross-check database against public registry

Implementation timeline

- Q4 2017-Q2 2018: Agree on required changes and set out implementation plan
- Q3 2018-Q4 2019: Enhance Land Registry functionality
- Q4 2018-Q4 2019: Enhance registry to include beneficial ownership information
- Q1 2019: Set out data dissemination and information sharing practices

Owners and key stakeholders

- **Owner:** Land Registry
- **Key stakeholders:** Public Registry

Dependencies

- N/A

Deficiencies addressed

- Existing Land Registry is incomplete and archaic

Link to FATF

- IO 6

Workblock VII

Build on existing, effective
international cooperation setup

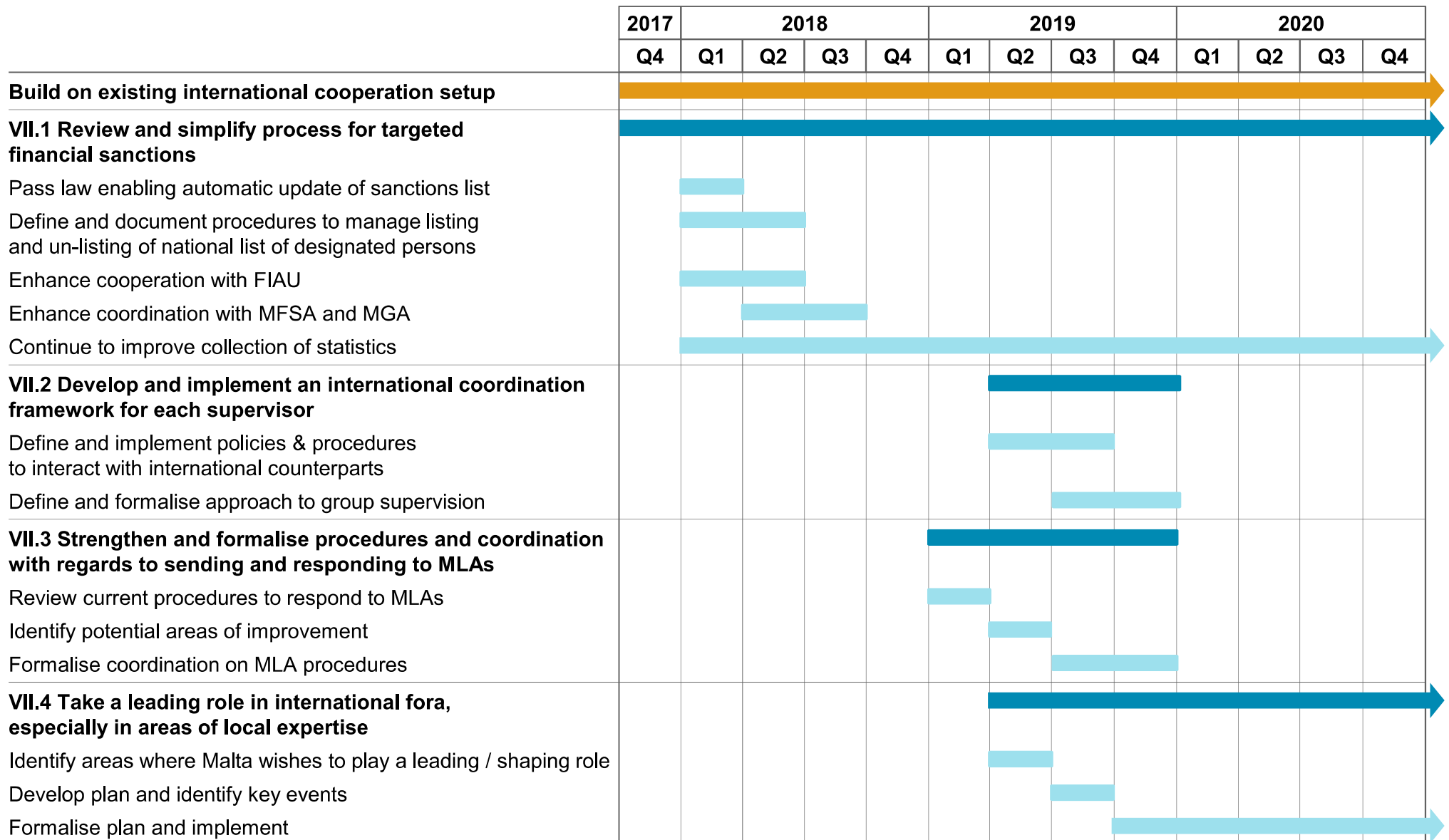
Workblock VII: Build on existing international cooperation setup

Summary of strategic actions

| Recommendation | Priority level | Owners |
|--|----------------|---|
| <p>1 Review and simplify process for targeted financial sanctions</p> <ul style="list-style-type: none"> • Pass law enabling automatic update of sanctions list (<i>ongoing</i>) • Define and document procedures to manage listing and un-listing of national list of designated persons • Enhance cooperation with FIAU • Enhance coordination with MFSA and MGA • Continue to improve collection of statistics on the effectiveness of the sanctions monitoring process (<i>ongoing</i>) | Critical | <ul style="list-style-type: none"> • Sanctions Unit |
| <p>2 Develop and implement an international coordination framework for each supervisor (e.g. coordination with foreign supervisors regarding inspections, group supervision)</p> | Important | <ul style="list-style-type: none"> • MGA • MFSA • FIAU |
| <p>3 Strengthen and formalise procedures and coordination with regards to sending and responding to MLAs</p> <ul style="list-style-type: none"> • Formalise coordination on MLA procedures • Introduce standard MLA review procedure, to determine whether a crime was committed in Malta [TBC] | Important | <ul style="list-style-type: none"> • Police |
| <p>4 Take a leading role in international fora, especially in areas of local expertise (e.g. gaming, citizenship programme)</p> | Less urgent | <ul style="list-style-type: none"> • Secretariat |

Workblock VII: Build on existing international cooperation setup

Preliminary workplan



VII.1 Build on existing international cooperation setup

Review and simplify process for targeted financial sanctions

Deliverables

Priority Level: **Critical**

- Pass law enabling automatic update of sanctions list (*ongoing*)
- Define and document procedures to manage listing and un-listing of national list of designated persons
- Enhance cooperation with FIAU
- Continue to improve collection of statistics on the effectiveness of the sanctions monitoring process (*ongoing*)
- Enhance coordination with MFSA and MGA

Key actions

Implementation timeline

- Pass law enabling automatic update of sanctions list (*ongoing*)
 - Identify and assess options (*completed*)
 - Amend legislation
 - Communicate changes to AML/CFT regulated entities to ensure they align their processes (in coordination with FIAU, MFSA and MGA)
- Define and document procedures to manage listing and un-listing of national list of designated persons
 - Identify and assess options of managing national sanctions list and decide on approach
 - Draft policy detailing process & procedures to manage national sanctions list
 - Communicate changes to AML/CFT regulated entities to ensure they align their processes (in coordination with FIAU, MFSA and MGA)
- Enhance cooperation with FIAU: agree on and document approach
- Continue to improve collection of statistics on the effectiveness of the sanctions monitoring process (*ongoing*)
- Enhance coordination with MFSA and MGA

- Q3 2017: Assess required changes and set out implementation plan (*completed*)
- Q1 2018: Pass law enabling automatic update of sanctions list (*ongoing*)
- Q1-Q2 2018: Define and document procedures to manage listing and un-listing of national list of designated persons
- Q1-Q2 2018: Enhance cooperation with FIAU
- Q1 2018 onwards: Continue to improve collection of statistics on effectiveness of sanctions monitoring process (*ongoing*)
- Q2-Q3 2018: Enhance coordination with MFSA and MGA

Owners and key stakeholders

Dependencies

- **Owner:** Sanctions Unit
- **Key stakeholders:** SMB, MfJ

- N/A

Deficiencies addressed

Link to FATF

- Delays in the updating of the UN sanctions transpositions into Maltese legislation.

- Recommendations 6, 7
- IOs 10, 11

VII.2 Build on existing international cooperation setup

Develop and implement an international coordination framework for each supervisor

Deliverables

Priority Level: **Important**

- Formalise and effective processes & procedures to interact with international counterparts
- Clear and formalised group supervision

Key actions

Implementation timeline

- | | |
|---|--|
| <ul style="list-style-type: none"> • Define and implement policies & procedures to interact with international counterparts <ul style="list-style-type: none"> – Review current processes and agree on potential changes – Document changes in policies & procedures – Implement policies and procedures – Issue internal communications on how to interact with supervisory counterparts • Define and formalise approach to group supervision <ul style="list-style-type: none"> – Identify in-scope groups / subsidiaries (with clear distinction between Maltese entities operating abroad, and foreign entities with Maltese presence) – Define approach to group supervision – Document changes in policies & procedures – Implement policies and procedures | <ul style="list-style-type: none"> • Q2 2019-Q3 2019: Define processes & procedures to reach out/interact with international supervisory counterparts • Q3 2019-Q4 2019: Define and formalise supervision of entity groups |
|---|--|

Owners and key stakeholders

Dependencies

- **Owners:** FIAU, MFSA, MGA
- **Key stakeholders:** Relevant subject persons

- N/A

Deficiencies addressed

Link to FATF

- Supervisory coordination with international counterparts
- No formalised approach to group supervision

- Recommendation 40
- IO 2

VII.3 Build on existing international cooperation setup

Strengthen and formalise procedures and coordination with regards to sending and responding to MLAs

Deliverables

Priority Level: **Important**

- Enhance coordination on MLA procedures
- Formalise procedures and processes with regards to MLA procedures
- Introduce review procedure to determine whether a crime was committed in Malta [TBC]

Key actions

- Review current procedures to respond to MLAs
- Identify potential areas of improvement
- Formalise coordination on MLA procedures
 - Update processes and procedures
 - Establish decision-making body to review MLA requests which potentially warrant further investigation
 - Align on potential cases/scenarios where local investigation required
 - Facilitate information exchange and coordination between AGO and Police on action required post receipt of foreign MLA request
 - Establish feedback mechanism to foreign counterpart requesting MLA
 - Issue internal communication

Implementation timeline

- Q1 2019: Review current procedures to respond to MLAs
- Q2 2019: Identify potential areas of improvement
- Q3-Q4 2019: Formalise coordination on MLA procedures

Owners and key stakeholders

- **Owner:** Police
- **Key stakeholders:** AGO, MfJ

Dependencies

- Recommendation IV.1

Deficiencies addressed

- Coordination and formalisation in dealing with MLAs
- No review of request for MLA to determine whether a crime was committed in Malta

Link to FATF

- Recommendations 37, 38, 39
- IO 2

VII.4 Build on existing international cooperation setup

Take a leading role in international fora, especially in areas of local expertise (e.g. gaming, citizenship programme)

Deliverables

Priority Level: **Important**

- Identify areas where Malta wishes to play a leading/shaping role
- Identify relevant events/fora

Key actions

- Identify areas where Malta aims to play a leading/shaping role (e.g. gaming, funds, citizenship programmes)
 - Secretariat to define and propose list (with input from relevant agencies)
 - National Committee to select key areas of focus
 - Identify agencies in charge of leading in each of the selected areas
- Each agency to develop action plan
 - Identify all relevant events (e.g. conferences)
 - Prioritise events
 - Define plan for key events
- Each agency to implement plan
 - Disseminate plan and coordinate with relevant stakeholders
 - Coordinate with relevant industry bodies and subject persons

Implementation timeline

- Q2 2019: Identify areas where Malta wishes to play a leading/shaping role
- Q3 2019: Develop plan and identify key events
- Q4 2019 onwards: Implement plan

Owners and key stakeholders

- **Owner:** Initially Secretariat; then relevant agencies (e.g. MGA, Identity Malta)

Dependencies

- N/A

Deficiencies addressed

- Malta should help improve regulation and supervision, on an international basis, in areas it knows well (e.g. gaming, funds)

Link to FATF

- Recommendation 40
- IO 2