



FINANCIAL INTELLIGENCE ANALYSIS UNIT

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National Risk Assessment

The Financial Intelligence Analysis Unit (FIAU) has been tasked by the Government of Malta to lead the National Risk Assessment (NRA), an exercise aimed at identifying, assessing and understanding the money laundering and terrorist financing (ML/FT) risks faced by the jurisdiction as a whole. The results of this national project will allow the authorities to develop effective and risk-based policies and actions, and to prioritise and allocate the available resources in the most efficient way so that the identified risks can be properly managed and mitigated.

On an international level, the Financial Action Task Force (FATF) has been placing increasing emphasis on the assessment of ML/FT risks so that national strategies, policy decisions and actions would correspond to the risks faced by each jurisdiction. The decision to carry out a NRA in Malta is in line with Malta's firm long-term commitment to adopt the highest standards in the area of prevention of ML/FT and it is a further step in the range of actions being taken to adhere to the revised FATF Recommendations issued in February 2012, which Recommendations place a much stronger emphasis on the implementation of a Risk-Based Approach (RBA).

From a European perspective, the EU Commission's proposal for the fourth anti-money laundering directive issued on the 5th February 2013 also requires Member States to conduct a NRA – the results of which will be of guidance to subject persons in conducting their own risk assessment, which will also become mandatory.

For the purposes of this exercise, the FIAU is working in collaboration with the World Bank, and is therefore using the NRA Tool that has been specifically developed by the World Bank for such assessments. Though the tool is a self-assessment tool made up of a number of separate modules, experts from the World Bank will be providing the necessary technical assistance throughout the three different phases of the project.

As part of the exercise, and in line with the World Bank methodology, a NRA Working Group has been set up. Besides FIAU staff, who are leading the different Assessment Groups, this includes representatives from:

- Government Ministries (Ministry for Finance and the Ministry for the Economy, Investment and Small Business);
- Supervisory Authorities (Malta Financial Services Authority and the Lotteries & Gaming Authority);
- Office of the Attorney General;
- Registry of the Courts of Criminal Judicature;
- Malta Police (Economic Crimes Unit, Counter Terrorism Unit, Legal Unit and the Drug Squad);
- Tax Authorities (Inland Revenue Department and VAT Department);
- Central Bank of Malta;
- Malta Stock Exchange;
- Customs Department;
- University of Malta (Department of Criminology);
- Industry Bodies and Associations (Chamber of Advocates, College of Stockbrokers, Federation of Estate Agents, Institute of Financial Services Practitioners, Malta Bankers' Association, Malta Funds Industry Association, Malta Institute of Accountants, Malta Insurance Association, Malta Insurance Managers Association, Malta Remote Gaming Council and the Notarial Council); and
- A number of selected practitioners within the financial services industry.

Working Group members have been subdivided into the following seven Assessment Groups, each focussing on specific areas:

- Threat Analysis;
- National Vulnerability;
- Banking Sector Vulnerability;
- Securities Sector Vulnerability;
- Insurance Sector Vulnerability;
- Other Financial Institutions Vulnerability; and
- Designated non-Financial Businesses and Professions Vulnerability.

The first phase of the project consisted of an initial three-day workshop, which was held between the 20th and 22nd November 2013. During this workshop four World Bank officials provided detailed explanations of the NRA tool and assessment methodologies. Working Group members were given the opportunity to familiarise themselves with and work on the model templates, which were tailored to take specific account of local realities.

During the initial workshop Working Group members also adopted an action plan for the subsequent stages. This included deadlines for the finalisation of data collection, dates when each of the Assessment Groups could meet to review the data and complete the templates, details of when the draft assessment would be sent to the World Bank Team for review and when this would subsequently be finalised.

The project has now entered into the second stage, with Working Group members actively collecting the necessary data and re-evaluating the inputs and assessments that were made during the initial workshop. Once completed, the fully populated templates will be reviewed by NRA Working Group members, who will then start drafting the report on the findings. This work will be sent to World Bank officials for their input and further guidance.

The third and final stage will comprise another three-day workshop. The risk assessment results will be discussed and reviewed, with a view to further improving, refining and calibrating the findings. During this same workshop NRA Working Group members will develop risk-based action plans, discuss implementation issues and challenges, and generate realistic solutions. A strategy for the effective use of the NRA results will also be formulated.

In terms of the agreed timeframes, the FIAU is confident that it could wrap up the whole exercise by the fourth quarter of 2014.