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## MFSA Identifies Challenges and Common Practices Among Money Laundering Reporting Officers

The Malta Financial Services Authority (MFSA) has published a “[Dear CEO](#)” letter outlining the results emanating from a thematic review focused on Money Laundering Reporting Officers (MLROs) operating within Company Service Providers (CSPs) set up as corporate entities.

As highlighted in the latest rendition of Malta’s National Risk Assessment, CSPs bear more onerous obligations in safeguarding the integrity of the financial system and are equally exposed to higher money laundering and terrorism financing (ML/TF) threats. The sector has grown by 70% in the last three years, following the MFSA’s reform which allowed for its authorisation and supervisory mandate to extend to all those CSPs previously exempt from authorisation. As at the end of 2023, over 290 CSPs were under continuous scrutiny by the MFSA and are required to satisfy fitness and propriety requirements both at licensing stage and on an ongoing basis.

The significant importance of their activities places their MLROs at the forefront of mitigating ML/TF risks, and detecting and reporting suspicions, to protect both the Maltese and overall European financial system. The MFSA’s responsibility in supervising MLROs operating within corporate CSPs serves to the fulfilment of two of its core mandates; safeguarding the integrity of financial markets and consumer protection.

While acknowledging the exceedingly positive findings of this exercise, particularly in relation to training, the MFSA encourages Authorised Entities and their MLROs to consider any potential enhancements applicable to their AML/CFT framework. Attention needs to be given to critical governance-related areas requiring further improvement, such as the type and detail of information being provided by MLROs to their senior management. In the [Dear CEO letter](#) sent to all Authorised Entities, the MFSA is asking that they familiarise themselves with the findings emanating from the exercise as these may be considered in the Authority’s future application of outcomes-based supervision in the area of financial crime compliance.

Christopher P. Buttigieg, MFSA’s Chief Officer Supervision stated, “The release of this Dear CEO Letter underscores the critical role that MLROs play in safeguarding the integrity of our financial system. As frontline defenders against illicit financial activities, MLROs ensure that

Company Service providers adhere to regulatory standards and expectations. Their vigilance and expertise are indispensable in identifying and mitigating risks, thereby protecting our economy from the pervasive threats of money laundering and financial crime. This thematic exercise highlights not only common challenges but also beneficial practices that MLROs are implementing to uphold the highest standards of transparency and accountability within our industry."

MFSA's Head of Financial Crime Compliance Matthew Scicluna, added: "The oversight of MLROs is a cornerstone of our supervisory framework for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). By evaluating and supporting their critical roles, we bolster the financial services sector's resilience against illicit activities. This initiative reaffirms our dedication to sustaining a robust AML/CFT regime that upholds the integrity and trust in our financial system."

## About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Strategic Statement, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.

