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Pubblikazzjoni tal-mistoqsijiet u t-tweġibiet *ai termini* tal-Artikolu 38(2) tal-Att dwar l-Amministrazzjoni Pubblika, Kap. 595

Mistoqsijiet sottomessi mill-Membri tal-Gvern

1. X'tahseb li kienu l-ikbar sfidi li ffaċċjat l-FIAU matul is-snin li ghaddew? Kif irnexxielha teghlibhom?

The broad challenges faced by the FIAU in the last two decades may in my view be organised as follows:

(i) The increased expectations on the Unit to deliver results. The legal framework has evolved rapidly, mainly to comply with European Union law for the prevention of money laundering and the financing of terrorism as outlined in Directive (EU) 2005/60, Directives 2009/138/EC, Directive 2013/36/EU, Directive (EU) 2015/849 and Directive (EU) 2018/843; and the evolving international standards set out in the FATF Recommendations and other applicable Conventions. The rapid development of legislation and standards is the result of the increased international focus on the fight on money laundering and the increased awareness expected from a much wider set of subject persons to fully comply with their prevention obligations. At the same time we are faced with increased awareness of society to the scrutiny of wealth as one of the means to achieve the rule of law. This has raised expectation to more timely actions with tangible results across a system of which the FIAU is only one of several actors. These expectations have also shown that although intelligence work is generally regarded as a low profile and confidential activity, more so given the nature of the underlying illegalities, the Unit faced concerns by society on the perceived lack of action or lack of results attained by the Unit in achieving its objectives.

(ii) The rapid growth of the financial industry in Malta has, over the last two decades, seen a substantial number of financial entities being licensed to provide a wide variety of services. Malta has also embarked on initiatives to attract digital industries to the country, industries which have the potential to bolster the gross domestic product while generating well remunerated employment. From a prudential perspective these highly diverse and technical institutions necessitate a sophisticated regulatory regime with well-trained staff and highly specialised information technology resources to ensure national AML expectations can be met. Over many years, the FIAU faced serious challenges to cope with the ever increasing supervisory work with limited financial and human resources. Fortunately this has now changed and the FIAU is currently implementing an ambitious restructuring and development plan. For this purpose it is imperative that the necessary financial resources continue to be made available to the FIAU so that it can carry out its functions in an effective manner.

(iii) Malta has attracted substantial activity from the gaming industry which is generally regarded as being at higher risk of money laundering, and thus requires enhanced attention and scrutiny. This has also posed a number of challenges.

(iv) The geographical location of the islands and the sustained political instability in Northern Africa make the risk of spill over effects to Malta more likely, a risk compounded by pre-conflict interest of Maltese companies in the neighbouring jurisdictions. The existence of substantial trafficking activities in the region orchestrated by international actors and compounded by disparate international priorities with limited alignment make the work of risk mitigation especially challenging for all public authorities in Malta, the Unit being no exception.

(v) The opportunities brought about by European Union membership has further enabled the local economy to open more its activities to a wider set of actors. The gradual convergence of the economy has also seen the convergence of AML risks as the economy opened up and attracted economic operators from the rest of the Union. The rapid economic growth has also attracted actors who may try to reap these benefits through illicit means through cross border activities that challenge the limits of cooperation of the sovereign states involved.

Recent country peer to peer reviews have indicated that not all objectives of the AML framework in Malta were being effectively achieved and that more work was required to bolster tangible results. This followed a number of years where the investment in the Unit was short of that required to address the growing challenges as the economy, legislation and the industry continued to develop. Over the last four years the Unit has embarked on an ambitious comprehensive restructuring plan under the scrutiny of the peer assessors. The plan proposed a complete overhaul of the policies of the Unit, updating of risk management methodologies ensuring full accountability, a comprehensive overhaul of the technology adopted used across all activities, comprehensive process re-engineering plan which ensures timely actions, and a human resources strategy to address a chronic shortage of resources and skills required for the Unit to attain the capabilities needed. The Unit has also undergone a transformation in the use of its resources through a comprehensive risk based methodology which allows it to channel resources and effort where there is higher risk. Subject persons are being provided with better communication and guidance, while a more assertive sanctions regime in line with recent legislative changes is encouraging the resolve of operators to properly address their obligations. Although more work needs to be done, the Unit has come a long way in achieving its goals and may look at the future with great optimism with a world class team of professionals.

Looking at the FIAU's annual reports for 2009 and 2019 the following key data gives a deeper understanding of the fundamental changes the role of the Unit has undergone, the analytical and logistical challenges this poses and the extensively better results being obtained through the work undertaken. The number of Suspicious Transaction Reports (STRs) received by the Unit in 2009 were 63 resulting in 31 disseminations for action by other authorities. In the meantime STRs raised in 2019 by subject persons were 2,778, with the FIAU making 13,696 requests for information as part of their investigations to 1,650 entities. The outcome is 1,842 issues disseminated to other authorities for action. These sheer numbers are testament to the progress achieved by the Unit in motivating subject persons in providing intelligence across a much wider set of economic activities, and to its ability to process this information to the benefit of all stakeholders involved.

2. Xi sfidi tara li ghandha quddiemha l-FIAU ghas-snin li ġejjin? X'tahseb li ghandha tkun id-direzzjoni u r-rwol tal-FIAU ghas-snin li ġejjin?

The future holds more development for the FIAU, and the forthcoming years will bring about unprecedented challenges to the Unit as the country endeavours to continue to expand

economic activities and participation in the European financial industry while maintaining a sound anti money laundering and prevention of terrorism financing regime that meets the high standards expected both by the citizens of Malta and the international community. Over the last few years there is sustained socio-political interest in the prevention of money laundering in the European Union, with enhanced legislation intended to further deprive crime from reaping the benefits of its broad objective of laundering illicit wealth. The FIAU is expected to continue to play a pivotal role in the prevention of money laundering orchestrated by all forms of criminal actors, whether they are active in Malta or across borders. The continued implementation of an ambitious FIAU development plan which follows on the recommendations of the European Banking Authority, the European Commission and the Committee of Experts on the Evaluation of Anti-Money Laundering Measure (MONEYVAL) is positioning the Unit to achieve better results as it widens its resources and capabilities, thus becoming more effective in achieving its objectives. The next year will bring about more attention on our work from our international partners who are looking more closely at the results in the fight against money laundering and the prevention of terrorism being achieved by all local actors. Our central Mediterranean location positions Malta on the crossroads of a number of lucrative activities which need much attention. Sophisticated money laundering actors need to be confronted with coordinated determined actions by all authorities in Malta, actions which lead to more effective prosecutions, and better recourse to asset seizures, and wider sanctioning where this is required. The FIAU will in the coming year continue to enhance its communication with subject persons, who are critical for its success. The Unit will continue its dialogue and oversight of the financial industry who have over the years been successful in developing a comprehensive response to the AML threat. In the meantime it will continue building the capabilities of the community and enhance effective intelligence from subject persons active in a wider set of sectors of the economy, as their contribution can prove fundamental for wider success in the prevention of threats as these continue to evolve. The forthcoming year will be a challenging year for the FIAU and Malta to maintain its reputation and allow our international partners to have confidence in our ability to fight money laundering. Every year has brought its own challenges, but 2020 may be like no other.

3. Kemm tahseb li huwa importanti li l-FIAU tikkopera ma' istituzzjonijiet ohrajn fix-xoghol taghha? Kif tara li ghandu jsir dan?

The objectives of the Unit cannot be achieved in isolation, as they are an intrinsic part of the ability of the state to prevent crime through a number of means at its disposal. The nature of the intelligence and supervisory activities of the Unit is one which necessitates cooperation with other enforcement and regulatory authorities. It is thus indispensable that the Unit has strong links with the Malta Police so that valuable intelligence can lead to timely investigation and effective prosecutions, and also with other competent authorities in order to carry out its functions effectively.

Part of the work being undertaken by the Unit is bringing together intelligence from a number of public authorities in Malta and abroad, including foreign FIUs, which has limited value dispersed across the various entities, but which, when coming together, may give law enforcement agencies the insights required to effectively investigate and prosecute crime. This work comes with significant confidentiality responsibilities as the intelligence gleaned in this manner should respect in full the privacy of law abiding citizens, while avoiding disclosures that can undermine the work to bring perpetrators of criminal activities to justice.

The main challenge today for law enforcement is the widespread internationalisation of money laundering activities, purposely spread to undermine efforts by national authorities in achieving their goals. This is perhaps the last major frontier in the fight against money laundering. International arbitration at all levels makes the participation of the FIAU in EGMONT, the international interaction of FIAUs, an indispensable cooperation in the fight against money laundering.

4. Kemm taħseb li huwa importanti l-investiment fit-teknoloġija u fil-qasam diġitali, kemm min-naħa tal-FIAU u anke mill-industrija, sabiex tkompli titjeb il-governanza tajba fil-qasam finanzjarju?

Technology and digitalisation are deeply embedded with the future of forthcoming societies. The use of technology and big data have opened up innumerable possibilities to understand societies and the behaviour of individuals within them. As our ability to collect and store data grows, so does our ability to derive relevant information which responds to various needs. At the FIAU this skill, analysis, is an underlying fundamental capability which allows investigators to piece together data events gleaned from information useful in an investigation. For the Unit the ability to collect data from various sources is now coming together, with the public sector entities cooperating in a way unthought-of even 5 years ago. Many more opportunities exist to enrich further this data, more so as more wealth related activities are on their way to become digitalised through blockchain technologies that allow histories to be stored and understood. It is thus indispensable for the Unit to have trained personnel and technical capabilities to properly interact with these technologies. In fact over the past two years the Unit has already invested heavily in technology, including both hardware devices and software solutions. These include specialised software used by several FIUs around the world, specific analytical software and purposely developed software for risk assessment and supervisory services.

5. Kif behsiebek tuża l-esperjenza tiegħek li ksibt matul is-snin sabiex tkompli tissaħħah it-tmexxija tal-FIAU?

I must say that I have been a member of the Board of Governors of the FIAU for a number of years and I am well aware of the functions of the FIAU, the non-executive role of the Board and the separate and distinct, confidential operational role of the Director and his staff. The Central Bank of Malta, from where I come, has a long tradition of independence which is enshrined in the Treaty of the EU. With this background and culture, I am well placed to ensure that the FIAU will continue to act with the independence and without any interference as required by the PMLA, and to carry out its tasks without fear or favour. I regard my role within the Central Bank of Malta, specialising in operation, regulation and oversight of payments, payments systems and instruments, as fundamentally one which also is about building the required relationships at the national and international level. This, I believe, gives me confidence and enough experience to contribute effectively to the Unit in the area of policy making.

6. Tara li għandek xi kunflitt ta' interess bejn il-kariga tiegħek fil-Bank Ċentrali mal-kariga li se jkollok fi hdan l-FIAU?

My role in the Central Bank is a public role with public interest as its only priority. The FIAU has the same priorities and thus instances where these are not complementary are highly unlikely. Furthermore, it is the PMLA itself that requires a nominee from the CBM to sit on

the Board of the FIAU. The presence of CBM officials on the board of the FIAU since its inception is further testament to the common objectives which have in the past been championed by the entities together, fostering prudence and an ethical practice in the financial industry. Anti-money laundering risk management is fundamental for the domestic operators in the financial system, enabling them to find reliable partners in the international financial industry, building lasting financial links on which our open economy critically depends.