Frequently Asked Questions (FAQ) – Insurance & Pensions REQ

This FAQ document clarifies the interpretation of specific questions as well as provide more information on the data being requested in particular sections within the REQ. Please go through this document prior to the completion and submission of the REQ. Any other questions which are not included in this document may be sent to caspar@fiumalta.org.

1. **We are an insurance company/intermediary who do not underwrite/intermediate any life business. Are we still required to complete the REQ?**
   Since the entity is not authorised to underwrite/intermediate long-term insurance business, it is not considered as a Subject Person in terms of Regulation 2 of the Prevention of Money Laundering and Funding of Terrorism. As a result therefore there is no need to complete the REQ.

2. **An entity obtained its MFSA licence in 2017 and only commenced its operations in 2019. When is the first REQ due for completion and submission?**
   All individuals and entities carrying out any relevant financial business as defined in the PMLFTR are considered to be subject persons, and are required to submit the REQ – irrespective of whether or not they have actually commenced operations. If operations have not commenced, an explanatory note should be included in the ‘General Remarks’ section on the first page of the REQ. In view of this, the first REQ will cover the period 1st January 2018 – 31st December 2018 and will be due to be filed in March 2019.

3. **I am the MLRO of a company which obtained a MFSA licence in 2019. What should we do now?**
   Once the appointment of the MLROs is duly approved by the relevant supervisory authority, where applicable, the appointment and any subsequent changes thereto must be notified to the FIAU through CASPAR. The MLRO should register on CASPAR and create a Subject Person. Guidance on the registration process is available on the FIAU website. The first REQ in this case will be due in 2020 and will cover the period 1st January 2019 to 31st December 2019.

4. **I am a MLRO of a Legal Entity with no registered employees. How should I answer all employee-related questions in the REQ?**
   All questions related to employees should be marked as ‘Not Applicable’.

5. **In the case where a service / activity / product is listed in the REQ but is not relevant/applicable / not offered to / by the Subject Person, how should it be indicated in the REQ? Would an inputting of ‘0’ be sufficiently clear?**
   Most of the questions have a ‘Not Applicable’ check box. This should be ticked in instances where the service/product/activity is not offered by the Subject Person. When a number/percentage is required to be inputted and the ‘Not Applicable’ option is not available, a ‘0’ value should be inputted.

6. **Certain questions have a ‘Not Available’ tick box. When should this be used?**
The ‘Not Available’ tick box should be used in instances when the question is applicable to the Subject Person, however it has insufficient data/records to appropriately answer the question.

7. **What is the meaning of the term ‘Offshore’ in the REQ?**
   The term offshore refers to jurisdictions that have distinctive characteristics such as low or zero taxation, tax secrecy and possibly lack of transparency. You are kindly requested to refer to the EU list of offshore jurisdictions/centres.

8. **What are the ‘high risk industries’ referred to in the REQ?**
   High risk industries should be defined by the Subject Person’s policies and procedures.

9. **REQ Question:** Please indicate total annual turnover according to the latest available audited financial statements and/or tax declaration.
   I am the MLRO of a Tied Insurance Intermediary (TII). Does ‘annual turnover’ refer to the annual premium or annual commission?
   'Total annual turnover' refers to the amount of revenue of a company within a period of one year. From the information provided, it would be safe to assume that in relation to TII’s, the annual turnover is the 'total annual commission' since the 'total annual premium' does not reflect the turnover of the TII but rather the value of the premiums. This information can better be established by referring to the financial statements/tax declarations of the company.
   
   **Our turnover is reported in a currency other than Euro. Shall we convert it to Euro?**
   Yes. The applicable exchange rate to be used to convert the annual turnover to Euro should be that of when the audited financial statements were signed.

10. **REQ Question:** Has your institution undergone changes in its ownership structure between January and December 2018?
    During the year ending 2018, there were changes in the share capital of the entity which however did not affect the ownership structure. How should we answer this question?
    If the change in share capital did not lead to a change in the ownership structure of the institution, then mark your answer as 'No'.

11. **REQ Question:** Please list the countries in which your institution has subsidiaries, branches, affiliates.
    ABC Malta is a branch of ABC Group. The Group has several branches and subsidiaries situated in different countries. For the purpose of this question, shall we mention the subsidiaries and branches of the group even though they are not branches/subsidiaries of ABC Malta Branch?
    No. The subsidiaries and branches of the group are not subsidiaries/branches of ABC Malta Branch and therefore should not be included in your response to this question.

12. **REQ Question:** How many times between January and December 2018 has the MLRO presented to the Board on AML/CFT issues?
    What it is meant by ‘issues’?
‘Issues’ stand for the number of times the MLRO presented to the Board on anything related to AML/CFT.

13. **REQ Question:** Is any of the AML/CFT Compliance team staff responsible for other roles and responsibilities (front office, back office, etc.)? What is meant by ‘other roles'? In view of the size of our institution Risk and Compliance are amalgamated and relative duties are performed by the whole team. Is risk management considered as back office responsibility for the purpose of this question? Yes. Risk management is considered to form part of other roles and responsibilities that may form part of the responsibility of the Compliance Team.

14. **REQ Question:** Please provide the % of staff outside the AML/CFT unit that completed AML/CFT training between January and December 2018. Can you define what is meant by staff outside the AML/CFT Unit? Reference can be made to Chapter 7 of the Implementing Procedures, Part I which indicates that awareness and training shall be provided to employees whose duties include the handling of either relevant financial business.

15. **REQ Question:** How many alerts were generated by the AML/CFT unit’s automated monitoring system that have resulted in investigations in 2018? What we should report? The number of alerts reported should include all transactions that where blocked, even where some of the alerts may have resulted in false positives.

In the case that the monitoring system is manual and not automated, should we answer the relevant questions based on the manual monitoring system or do these questions specifically relate to an automated system? These questions should be completed irrespective of the type of monitoring (automated or manual) implemented by the Subject Persons.

16. **REQ Question:** ‘How many open cases resulted from suspicious transaction alerts over the last 6 months?’ What is meant by open cases? ‘Open cases’ refer to internal cases/investigations that result from suspicious transaction alerts.

17. **REQ Question:** Short-term maturity products (Policy Duration): Volume (%) **REQ Question:** Short-term maturity products (Policy Duration): Value (%) What are short-term maturity products? The above-mentioned questions embedded in the REQ should be disregarded. Kindly input only those which are considered as 'long-term maturity products' of the Company, as referred to under Regulation 2 of the PMLFTR 2018 in the appropriate fields. Since this question is to be disregarded and Subject Persons cannot leave a question unanswered, please answer this question with zero (“0”). Should you require an interpretation of what is to be considered as 'long-term maturity products', kindly refer to the 2nd Schedule of the Insurance Business Act.
18. REQ Question: *Does the above number represent, to the best of your/institution's ability, the distinct number of customers, or is it known that it contains duplicates?*

What is the definition of 'duplicate' in this case?

By 'duplicate' we mean situations in which the institution calculates the number of customers on the number of services offered rather than the number of unique relationships.

19. The REQ includes a section relating to the ‘Domicile of BOs’. How should we report cases where BOs of legal persons are from more than one jurisdiction?

If you have 50 legal customers, each having 2 UBOs, you will have a total of 100 UBOs. So percentages should reflect the total number of UBOs and not the total number of customers. Irrespective of whether they are UBO of the same company or otherwise.

If for example: out of the 100 UBOs, 50 are domiciled in Malta, 20 domiciled in an EU/EEA jurisdiction, 25 are domiciled in a non-EU/non-EEA and 5 domiciled in a high risk jurisdiction. The following questions should be answered as follows:

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>What percentage of customer BOs are domiciled in Malta?</td>
<td>50%</td>
</tr>
<tr>
<td>What percentage of customer BOs are foreign and are domiciled in an EU or EEA jurisdiction outside Malta?</td>
<td>20%</td>
</tr>
<tr>
<td>What percentage of customer BOs are foreign and are domiciled in a non-EU or non-EEA jurisdiction outside Malta?</td>
<td>25%</td>
</tr>
<tr>
<td>What percentage of customer BOs are domiciled in a high risk jurisdiction (as defined by the institution's policies and procedures)?</td>
<td>5%</td>
</tr>
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20. REQ Question: *'What percentage of customers was CDD not conducted (as a % of total)?'*

REQ Question: *'What percentage of customers was EDD not conducted (as a % of total)?'*

Should the figures include customers requested to complete CDD/EDD but who have not yet completed it?

Yes. Subject persons are required to report this data for those instances where CDD/EDD was not conducted or completed.

21. REQ Question: *What percentage of customers are serviced via business to customer (B2C) distribution?*

REQ Question: *What percentage of customers are serviced via direct to customer (D2C) distribution?*

What is meant by 'customers serviced via business to customer' and 'customers services via direct to customers'?

Business to customer (B2C): any distribution from the insurance dealer/broker/retailer that sources the products from various/participating providers and sells directly to the customer, whereby the retailer sources the products from the various providers offering products and communicates/sells directly with customers to sell products to the customer. Essentially, this means that the customer was serviced by the insurance provider through the use of an insurance dealer/broker/retailer that sourced and sold the providers products.
Direct to customer (D2C): any distribution from the insurance provider to the customer, whereby the insurers communicate directly with customers to sell products to the customer, such that no third party (broker/dealer/retailer) has a financial incentive or stake in the sale of the products. Essentially, this means that the customer was serviced by the insurance provider selling its products directly to the customer.